Capital Adequacy and Risk Management Regulatory Disclosures

on a Consolidated Basis
for the Year 2016 (Pillar III)

PIRAEUS BANK

Table of Contents

1. General Information

1.1. Introduction

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

In 2016, the Bank completed 100 years of presence in the Greek banking system, reflecting its evolution and growth mentality amid two centuries. The Bank's achievements, along with its support of entrepreneurship and the economy, the friendliness towards the customer and the quality of its services, not only characterized the history of the Bank, but also determine its course into the next decade, against the prevailing challenges.

1.2. Piraeus Bank Group Governance Framework

1.2.1. Group Corporate Governance Structure

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

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

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

- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Strategic Planning Committee
- Group Executive Committee

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

(www.piraeusbankgroup.com)

Information concerning Corporate Governance is also available in the Annual Financial Report 2016.

(http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

1.2.2. Compliance with Pillar III Disclosure Requirements

This report constitutes the Pillar III disclosures mandate of the regulatory framework under Regulation (EU) 575/2013 for the year 2016 and is available on the Bank's official website at:

(http://www.piraeusbankgroup.com/en/investors/corporate-governance/risk-management/)

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

The report does not constitute either a form of financial statement or an evaluation of the future financial situation or business expectation for Piraeus Bank Group. However, any differentiations between the figures illustrated in these disclosures and those presented in the year-end 2016 consolidated financial statements of the Group, are sufficiently reasoned.

1.2.3. Capital Adequacy and Risk Management Regulatory Disclosures Policy

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

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

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

Based on the aforementioned policy, the Group discloses this present report via the internet, on an annual consolidated basis, alongside with the Annual Financial Statements. On the same time, it evaluates the need for more frequent disclosure of information when deemed necessary and in case of important economic developments and/or changes in its risk management framework and its capital adequacy levels.

1.3. Scope of Regulatory Disclosures

1.3.1. Accounting Consolidation

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

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

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

In order to assess the existence of power over the investee, the Group takes into account the voting rights, the potential voting rights, as well as any agreement (i.e. concession of management) between

the Group and the investee or the Group and third parties which hold rights of the investee. The aforementioned rights are taken into account only when they are substantive, i.e. only when the Group has the practical ability to exercise them. Additionally, these rights should give the Group the ability to direct the relevant activities of the investee, i.e. the activities that mainly affect its returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases.

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

1.3.2. Regulatory Consolidation

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

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

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

1.4. Impediments to the Prompt Transfer of Funds

Regarding the Group's subsidiaries abroad, there was a gradual relaxation of the prohibition from local central banks against any form of placements from the subsidiaries to the Bank, given the unstable state of the Greek economy. Subsidiaries Banks in Albania, Bulgaria and Romania can now proceed with repayment of granted loans and transfer of funds from the subsidiary to the Bank up to a certain level. Stricter prohibitions still exist in Serbia and there are no relaxations in Ukraine.

In general, there are still restrictions in dividend distribution regarding the Group's subsidiaries abroad, while there are no limitations in repaying loans granted from another subsidiary inside the Group.

2. Risk Management Framework

2.1. Declaration by the Management Body

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

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

The Group's Management and Board of Directors consider that a full and consistent application of the risk management arrangements in place, would adequately address the risks inherent in the risk profile and strategy of the Group and acknowledge that a robust risk culture should remain a key focus area for continuous improvement.

2.2. Objectives

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

- Successful management of the adverse effects of the prolonged Greek financial crisis on the Group's financial position and risk profile, in order to restore and safeguard its long-term viability and development. Strengthening of the Group's liquidity base, preserving its capital adequacy and managing effectively its non-performing loans, are key objectives in this context.
- Achievement of the Group's business objectives through the financing of selected sectors, the development of innovative products with environmental and social added value.
- Fulfillment of the requirements of the restructuring plan and the associated commitments to the European Commission (EC), European Central Bank (ECB), International Monetary Fund (IMF), Bank of International Settlements (BIS), Directorate-General Competition (DG Comp), Hellenic Financial Stability Fund (HFSF), Ministry of Finance and Bank of Greece.
- Development and enhancement of risk awareness and culture across all levels (strategic, tactical, operational) of the Group.
- Implementation of best practices in risk management that correspond to the size, risk profile, business strategy of the Group and the continuous alignment and compliance with regulatory requirements.
- Improvement of the Group's internal control system and corporate governance models by constantly monitoring and improving of control mechanisms of the Group's operations, in terms of risk management
- Harmonization of the risk management function and framework across the Group.
- Upgrade of the credit rating of the Group by rating agencies or other third party organizations and the Supervisory Review & Evaluation Process (SREP) score.
- Optimal capital allocation and risk adjusted yield per business unit/customer/subsidiary.

- Management of environmental and social risks deriving from the Group's operations and its client's operations.

2.3. Risk Statement

The Group expresses its risk appetite through a comprehensive Risk Appetite Framework which consists of qualitative and quantitative risk appetite statements with established limits and early warning levels to serve as a monitoring tool to the Board of Directors, Risk Management Committee and Senior Management.

The Group's operating environment for FY 2016, continued to be affected by the prolonged adverse macroeconomic conditions, systemic liquidity standstill and legislative inefficiencies.

During 2016, the Group was in adherence with its approved risk appetite limits and exhibited resilience to exogenous factors.

More specifically, for FY 2016, the Group's:

- Capital adequacy remained strong - Common Equity Tier 1 ratio: 17,0%
- Asset quality remained stable - NPE ratio: 50,8% (including off-balance sheet exposures), NPL ratio: 36.5% (including seasonal agri-loan facility)
- Liquidity position improved and recovered within its risk appetite limits - Loans to Deposits: 113%
- Market risk remained low - Trading Book VaR: € 0.81 million
- Operational risk was tightly controlled and well within its risk appetite limits.

2.3.1. Risk & Capital Strategy 2016

The Risk & Capital Strategy (R&CS) constitutes the cornerstone of the risk management framework setting the fundamental principles for the management of risks that the Group faces. Via the R&CS, the Board of Directors defines and communicates to the Group its philosophy and approach in relation to the risk appetite framework, risk management objectives, principles and governance.

More specifically, the risk appetite framework is defined as the level and types of risk that the Group is willing to undertake, within its risk capacity, in order to achieve its strategic and business objectives. the risk management principles reflect the policy governing the risk management cycle processes, i.e. identification, assessment, control, mitigation, monitoring and reporting as performed by all stakeholders under the 4-lines of defense model. The governance depicts the organizational structure, the reporting lines, the roles and responsibilities of all parties involved as well as the human resources required.

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

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

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

2.3.2. Risk Profile 2016

The Group was in adherence with its approved risk appetite limits and exhibited resilience to negative exogenous factors. The Group's asset quality[1] has been steadily improving, with its Non-Performing

[1] Including seasonal agri-loan facility (OPEKEPE).

Loan (NPL) ratio decreasing progressively, 36.5% as of December 31st 2016 (31.12.2015: 39.5%), while its Capital Adequacy remained sufficient, despite the adverse macroeconomic conditions with the Common Equity Tier 1 ratio (CET1) at 17.0% as of December 31st 2016 (31.12.2015: 17.8%). The Group's Liquidity position has also significantly improved, thereby recovering its "Net Loans to Deposits" ratio at levels within its risk appetite, 113% as of December 31st 2016 (31.12.2015: 126%). In addition, the Group has tightly controlled its operational risks and effectively managed potential losses.

During 2016, the Group's Recovery Banking Unit (RBU) also performed positively, steadily improving its performance and achieving the Group's NPE reduction targets for FY 2016, as these had been agreed upon with the HFSF and SSM.

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

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

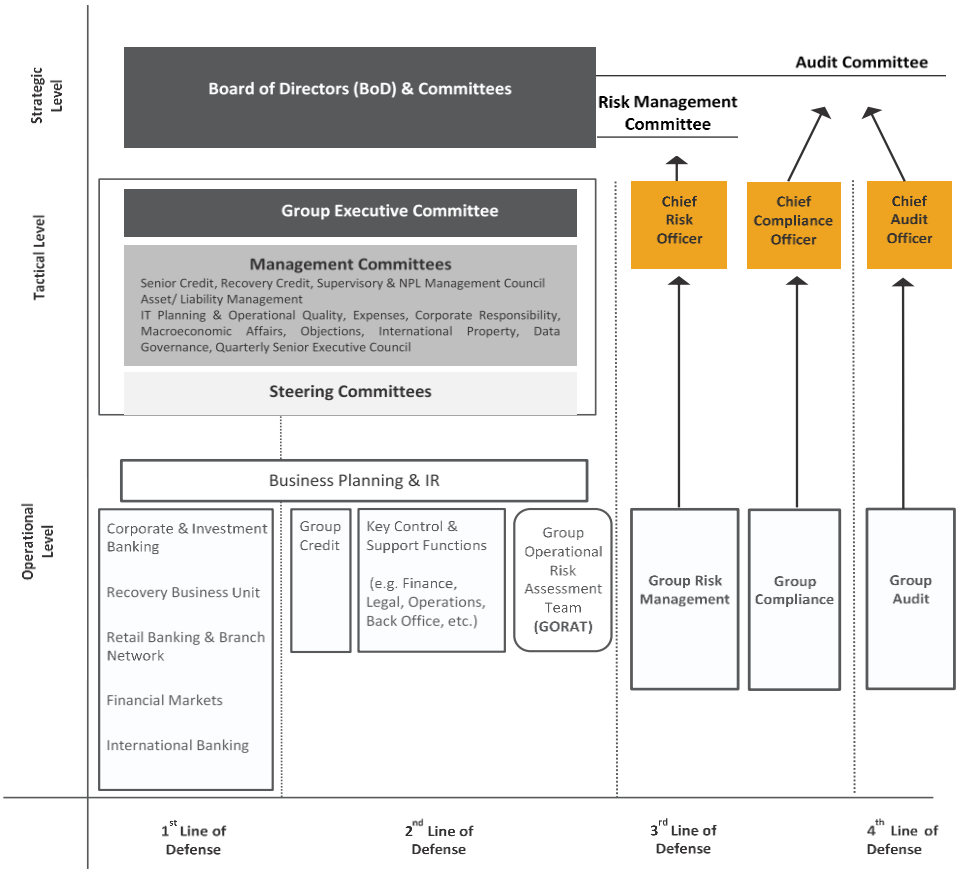
2.4. Risk Management Governance and Organization

2.4.1. Governance – 4 lines of Defense

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

The organizational structure of the Group complies with the current principles of the legal framework that governs the operation of the Bank as well as the institutional framework, which mostly comprises of BoG Governor's Act 2577, the Relationship Framework Agreement with the HFSF and L.4261/2014. It is structured in such a way that ensures the Group's effective organization with distinct, transparent and consistent lines of responsibility. In addition to this, the Group has established detailed procedures comprising risk mitigation techniques for conducting the Group's operations, as well as adequate mechanisms for control, in order to identify, manage, monitor and report risks.

Graph 01: Risk Management Governance – 4 Lines of Defense



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

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

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

- Second line of defense is mainly responsible for the ex-ante risk control performed prior to risk taking. In this manner, the second line of defense controls and/or supports the activities of the first line, by overseeing the implementation of the credit policy and -in general- by reviewing and approving, whenever necessary, the pre-evaluations or risk generated at the first line. The committees with responsibilities falling under the second line of defense, perform such activities at the tactical level, while the Board of Directors performs respective activities at the strategic level. Second line of defense is mainly

performed by specialized units such as Group Credit, Group Finance, Group Legal, Group Operations including Back Office Financial Markets and Group Administration Support. Within the second line of defense, units comprising the Group Operational Risk Assessment Team (GORAT) assess and control activities pertaining to operational risk.

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

The second governance dimension is comprised of three levels:

- Strategic level (BoD / BoD Committees): Risk management functions performed by the Board of Directors. They are assigned with the responsibility to provide guidelines, monitor and supervise the establishment and implementation of the risk management framework.
- Tactical level (Executive Committee, Senior Management and Steering Committee: Risk management functions performed by the Senior Management. They are assigned with the approval of policies and processes for identifying and managing risks and establishing adequate systems and controls to ensure that the overall risk profile remains within the risk appetite framework or other strategic limits appropriately approved by the BoD, as well as any regulatory restrictions.
- Operational level: Risk management functions performed by all Group units, i.e. business units including units with primary role in decision making process, support units as well as units which belong to the Internal Control System of the Group. Risk management, at this level, is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines approved by the BoD or the Senior Management.

2.4.2. Risk Management Committee

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

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

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

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

The Committee convenes, upon its Chairman's invitation, as many times as considered necessary in order to accomplish its mission, but not less than once (1) a month. Each member of the Committee is entitled to request the convocation of the Committee in writing for the discussion of specific issues. During 2016, the Risk Management Committee held 14 meetings in total.

The Group's Chief Risk Officer, Head of the Group Risk Management, is designated by the Board of Directors as the executive secretary of the Committee and exercises duties as designated by the applicable regulatory framework (currently the BoG Governor's Act 2577/2006).

The Risk Management Committee's mission is to:

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

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

- Determines the risk and capital strategy, in a manner appropriate towards the achievement of the business objectives, at Bank and Group level.
- Ensures the incorporation of the risk management framework in the business decision-making process (e.g. decisions pertaining to the introduction of new products and services, the risk-adjusted pricing of products and services, as well as the measurement of the risk adjusted performance and the capital allocation) at Group level.
- Determines principles and rules that shall govern the risk management function, regarding the identification, assessment, measurement, monitoring, control and mitigation of risks.
- Determines the type, quantity, form and frequency of communicated information regarding issues related to risk management.
- Evaluates annually, on the basis of the report delivered by Group Risk Management and Group Audit:
  - the adequacy and the effectiveness of the risk management policies of the Bank and Group, particularly compliance with the risk appetite limits,
  - the appropriateness of the limits and the overall adequacy in relation to the type and exposure level of risks undertaken.
- Formulates proposals and recommends corrective measures to the BoD in case it detects a weakness or any deviations in the implementation of the risk and capital strategy.

- Sets out, annually or more frequently if required, revision proposals and corrective actions to the BoD concerning the risk and capital strategy and the risk appetite framework, including the assessment of appropriateness of the business / restructuring plan of the Bank in relation to the risks undertaken.
- Ensures the adequacy of the available resources in technical means, such as the appropriate methodologies, modeling tools, data sources and competent personnel in order to assess: a) any changes in the quality of assets under different assumptions (macroeconomic and market) and b) the risks that such changes may set in the financial stability of the institution.
- Proceeds annually with the review of the applicable credit policy and approves any amendments that require the modification of the approved risk appetite framework.
- Ensures the appropriate supervision and control mechanisms for the monitoring and the effective management of troubled assets, including:
    - non-performing loans (NPLs& NPEs),
    - loans under restructuring or subject to re-negotiation,
    - exposures that are written-off for accounting purposes, but the Bank still seeks their partial or full recovery.

2.4.3. Group Risk Management

Group Risk Management is an independent unit in relation to other units of the Bank which have revenue generating activities and/or are accountable for transactions. The unit carries out responsibilities of Risk Management and Credit Risk Control in accordance with the BoG Governor's Act No 2577/2006 and L.4261/2014.

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

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

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

Group Risk Management is subject to review by Group Audit as to the adequacy and effectiveness of risk management procedures.

The duties of the Chief Risk Officer include:

- Reports monthly to the Board of Directors through the Risk Management Committee on matters falling under the jurisdiction of Group Risk Management, including an opinion statement on Arrears & NPL Management,
- Participates in the supervisory authorities' internal capital adequacy assessment process of the adequacy of internal and supervisory capital,
- Participates in the decision-making process for determining the financing terms, which are not subject to pre-determined or general parameters,
- Participates in the formulation of recommendations and proposals to Management and, through the Risk Management Committee, to the Board of Directors, regarding changes in the composition of the Bank's portfolios, for restructuring/forbearance of existing loans and differentiations in the provisioning policy,

- Monitors the implementation of risk management policies and, also, providing adequate reports to the Risk Management Committee, at least on a monthly basis, so that the Committee monitors properly and advises the Board of Directors as to the risk exposure/profile and the future risk and capital management strategy,
- Monitors the Group's risk profile in accordance with the approved risk appetite limits. Any breaches/deviations from the limits are reported timely to the Risk Management Committee,
- Approves the Bank's credit policy and promptly reports any deviation from policy or potential conflict with the approved risk strategy and appetite to the Risk Management Committee
- Establishes and monitors the implementation of limits and adherence to the policy governing relations with Connected Borrowers and reporting any overrides to the Risk Management Committee
- Approves, incorporates and monitors risk-adjusted performance and pricing measurement tools relevant to decision making
- Supervises and coordinates the activities of Group Risk Management units of the Bank and Group's subsidiaries, as assigned by Management.
- Performs the duties of the Executive Secretary of the Risk Management Committee.

The responsibilities of Group Risk Management consist mainly of:

- Developing, and proposing to the CRO, the framework in relation to the risk and capital management for all types of risks inherited to the Group's activities, according to the legal, regulatory and supervisory frameworks as well as international best practices.
- Active and essential engagement in the strategic planning and budgeting processes participating in all relevant executive and steering committees.
- Monitoring adherence to the risk management framework and approved risk appetite limits on an ongoing basis and inform accordingly the CRO.
- Evaluating risk management framework, identifying gaps and recommending enhancements to the CRO. Ensuring that the framework is reviewed at least annually or ad hoc in case there are (a) changes in Group's strategy or business model, or (b) changes in the regulatory framework, business environment or/and in the macroeconomic conditions.
- Ensuring the alignment of the Risk & Capital Strategy with business plan, restructuring plan, funding plans, budget, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and recovery plan.
- Supervising the development and harmonization of the subsidiaries' risk management framework with the Group risk management practices.
- Developing awareness about risk exposure and promoting a strong risk management culture in each hierarchical level of the Group.
- Participating in the development of credit policy.
- Calculating, analyzing, monitoring and reporting capital adequacy requirements against credit, market, liquidity and operational risks (Pillar I).
- Designing, conducting, coordinating, monitoring and reporting the Group's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).
- Preparing annual disclosures regarding risk & capital management (Pillar III).
- Monitoring and reporting the Group's funding composition and liquidity.

- Leading and coordinating the design and execution of Group-wide solvency stress tests. Exercising periodic and / or temporary stress tests with base and adverse scenarios tailored to the nature and scope of the operations of the Group for all types of risk.
- Determining loan impairment models, including the validation of individual impairment models, as well as the validation of portfolio segmentation decisions and all parameters used for collective assessment.
- Monitoring, measuring and reporting the Group's credit risk exposures against enterprises, individuals, banks, central governments and countries.
- Monitoring compliance with the credit risk limits set by the regulators, especially with regards to the management of troubled assets.
- Performing portfolio analysis. Developing and maintaining credit risk rating systems, performing credit risk stress tests.
- Establishing and close monitoring the implementation of limits and the adherence to the policy governing relations with Connected Borrowers.
- Developing the credit control framework (in terms of policy, procedures and annual action plan) with regards to Corporate Credit Control activities.
- Assessing and reviewing existing Group's business loan portfolio credit risk by performing, on a sample basis, independent evaluations of the approved credit exposures' quality (post-approval) and of credit risk's monitoring practices. Prepares finding reports, informs and submits proposed corrective actions and monitors on a regular basis their implementation.
- Proposing the proper procedures and measures for the elevated monitoring, depending on the type of risk.
- Developing, implementing and periodically assessing the adequacy in methods, criteria, templates and systems for the early identification, measurement, management, monitoring and reporting of the risks that the Group undertakes or may undertake.
- Developing the risk data specifications and cooperate with the Group Operations & IT units and the relevant business units of the Bank and its subsidiaries for the maintenance of the specifications.
- Supporting business units and subsidiaries' Risk Management units in their area of expertise promoting the risk management culture across the Group.
- Preparing periodic reports on risk management, including but not limited to proposing appropriate risk-mitigating actions, purposed for a regular and adequate information flow towards Management and the Board of Directors, through the Risk Management Committee, as well as towards the regulatory and supervisory requirements under relevant guidelines.
- Managing effectively the capital base, aiming at optimizing the allocation and use of capital (regulatory and internal) and thus improving the Group's profitability.
- With respect to financial assets & liabilities valuation (including the drafting of financial statements):
    - Validating the policies, processes and methodologies (e.g. mark-to-market, mark-to-model etc.) employed for their valuation
    - Controlling the appropriateness of the prices used in the valuation process
    - Monitoring the results of the valuation and reporting any policy deviations to the Risk Management Committee

- Calculating the potential exposure of derivative transactions, periodically assesses the value of financial assets and liabilities held at cost.
- Identifying, monitoring and controlling the Group's exposure on bonds, equities, foreign exchange rates and interest rate fluctuations.
- Identifying, monitoring and controlling operational risks through a group wide risk and control self-assessment (RCSA) process, analyses the actual incidents and financial losses. Monitoring corrective action plans.
- Cooperating closely with Group Audit and coordinating relevant units in the 2nd line of defense (GORAT) in the assessment and control of operational risk.
- Supervising the risk management framework at subsidiary level (international Banks and financial institutions in Greece).
- Developing the risk based pricing methodology of the Group

Graph 02: Risk Management Organizational Structure

2.4.4. Credit Risk Management Unit

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

2.4.5. Operational, Market and Liquidity Risk Management Unit

The unit is responsible for the development and implementation of the framework (policies, methodologies and procedures) relating to the management of operational, market and liquidity risks on the basis of the Risk & Capital Strategy of the Group and relevant requirements of supervisory authorities. The framework covers the management of the aforementioned risks which are undertaken in general by the Group or to which it may be exposed, including their identification, measurement, monitoring, control, mitigation and reporting. On a regular basis, it reports market, liquidity and

operational risk related information to the Management, the Board of Directors and supervisory authorities. Also, it coordinates and participates the Internal Liquidity Adequacy Assessment Process (ILAAP) as well as the formation and revision of the Bank's Recovery Plan. In addition, it monitors/coordinates the activities of Group Operational Risk Assessment Team (GORAT) and the subsidiaries' Risk Management units.

2.4.6. Capital Management Unit

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

2.4.7. Corporate Credit Control Unit

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

2.4.8. Group Risk Coordination Unit (GRC)

The unit is responsible for the supervision and harmonization of the risk management framework and practices across the Group's Subsidiaries under scope (international Banks and domestic financial institutions). It evaluates the subsidiaries' risk management framework (strategy, policies, methodologies and procedures), provides guidelines and continuous support and carries out on-site visits. It also monitors and reports the implementation of action plans and the harmonization level, per subsidiary, to the Management and the Board of Directors. In addition, it coordinates the development and review of the a) Risk and Capital Strategy, b) risk appetite framework and c) risk based pricing methodology, with the cooperation of all involved units under the risk management framework.

3. Capital Management

3.1. Capital Adequacy

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

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

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

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

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

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

As of December 31st 2016 the Group's Common Equity Tier 1 (CET1) ratio stood at 17.0%, far exceeding the minimum regulatory thresholds (16.2% on a fully loaded basis).

The calculation of the capital adequacy ratios of the Group, takes into account the deferred tax assets which have been recognized on the basis of the relevant provisions of the IFRS. Under Regulation (EU) 575/2013 (CRR), deferred tax assets which are based on the future profitability of the Group, are deducted from CET1 capital if they exceed specific limits.

However, it is allowed -under conditions- to credit institutions to transform deferred tax assets, that have been recognized due to losses from the Private Sector Involvement (PSI) and accumulated provisions due to credit risk in relation to existing receivables as of 30th June 2015, into directly enforceable claims (tax credits) against the Greek State.

In this case, these tax credits are not deducted from the CET1, but are included in the risk weighted assets of the Group.

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

Table 01: Selected Capital Adequacy Figures for Group 31 Dec. 2016	
	€ mn
Common Equity Tier 1 Capital (CET 1)	**9,031**
Tier 1 Capital (T1)	**9,031**
Total Own Funds	**9,031**
Risk Weighted Assets	**53,266**
Credit Risk[1]	*49,643*
Market Risk[2]	*246*
Operational Risk	*3,376*
Common Equity Tier 1 Capital Ratio (%)	**17.0%**
Tier 1 Capital Ratio (%)	**17.0%**
Capital Adequacy Ratio (%)	**17.0%**

(1) Credit risk includes counterparty credit risk (CCR) and central counterparty risk (CCP)
(2) Market Risks include debt instrument position risks, equity risks, credit valuation adjustment (CVA) risk, settlement risk, commodity risk, FX risk and Gamma/Vega risks.

3.2. Leverage

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

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

The sound capital base of Group, along with the extensive deleveraging which is still reflected in the Greek banking system, drastically reduces the risk of excessive leverage. As a result, the leverage ratio of Piraeus Bank Group with reference date December 31st 2016 stood at 11.1%, significantly over the 3% minimum threshold proposed under CRR2.

Table 02: Group Leverage Ratio 31 Dec. 2016	
	€ mn
T1 Capital	9,031
Total Leverage Ratio Exposure	81,086
Leverage Ratio	11.1%

Following the adoption of Regulation (EU) 200/2016 on the Group's leverage ratio, detailed disclosures are presented in Appendix V.

3.3. Major Developments on Capital Adequacy

3.3.1. Background

During 2016, Piraeus Bank Group maintained adequate levels of regulatory capital, while at the same time secured the unhindered execution of the Group's restructuring plan under the close monitoring of the regulatory authorities. Moreover, the Bank fully repaid all the Pillars of L.3723/2008 and therefore is no longer subject to the restrictions of the support program, that, among others, required the appointment of a Greek State Representative in its Board of Directors, as was the case in the last 7 years.

3.3.2. Sale of Subsidiaries

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

On August 1st 2016, the Bank announced the completion of the agreement for the sale of 100% of the share capital of ATE Insurance to ERGO International AG, improving the Bank's CET1 ratio at that time by 5 basis points.

Furthermore, after having received all required approvals from the regulatory authorities and the Hellenic Financial Stability Fund, the Bank announced in December 29th 2016 the completion of the sale of a stake held in its subsidiary in Cyprus, improving the Bank's CET1 ratio at that time by 15 basis points.

3.4. Regulatory Framework

3.4.1. Banking Union - Single Supervision

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

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

3.4.2. Single Rulebook

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

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

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

(http://www.eba.europa.eu/regulation-and-policy/single-rulebook/interactive-single-rulebook)

3.4.3. The CRD IV Regulatory Framework

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

Within the framework:

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

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

3.4.4. Single Resolution Mechanism

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

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

3.4.5. Bank Resolution and Recovery Directive (BRRD)

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

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

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

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

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

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

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

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

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

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

- new, more risk-sensitive methodologies for calculating market risk and counterparty credit risk capital requirements (FRTB and CCR-SA respectively),
- a binding leverage ratio of 3% to safeguard institutions against excessive leverage,
- a binding net stable funding ratio (NSFR) to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk.

3.5. Regulatory Own Funds

Piraeus Bank Group's Regulatory Own Funds as of 31/12/2016, as defined in Regulation (EU) No 575/2013, are comprised of Common Equity Tier 1 capital (CET 1).

Common Equity Tier 1 capital includes:

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

Treasury Shares are excluded from CET1 capital.

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

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

Tables 03 and 04 present the Group's Regulatory Own Funds structure as well as their reconciliation with Accounting Own Funds, as depicted in the Annual Financial Report of 2016.

Table 03: Regulatory Own Funds
(€ 000's)

	31.12.2016	31.12.2015
Share Capital (common shares)	2,619,955	2,619,955
Share Premium	13,074,688	13,074,688
Contingent Convertible Bonds	2,040,000	2,040,000
Less: Treasury Shares	-842	-460
Available for Sale Reserve	-7,877	43,779
Legal Reserve and Other Reserves	-57,968	-29,683
Retained Earnings	-8,004,333	-7,840,635
Minority Interest	160,115	112,882
Less: Intangible Assets	-282,036	-275,031
Total Regulatory Adjustments to Common Equity Tier 1 Capital	-510,561	-296,039
Total Common Equity Tier 1 Capital	**9,031,142**	**9,449,455**
Hybrid Capital	-	-
Total Regulatory Adjustments to Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	**-**	**-**
Total Tier 1 Capital	**9,031,142**	**9,449,455**
Subordinated Debt	-	-
Total Regulatory Adjustments to Additional Tier 2 Capital	-	-
Total Tier 2 Capital	**-**	**-**
Total Regulatory Capital	**9,031,142**	**9,449,455**

Table 04: Reconciliation of Accounting Own Funds with Regulatory Own Funds 31 Dec. 2016 (€ 000's)		
	Financial statements note	Amount
Share Capital (common shares)	41	2,619,955
Share Premium	41	13,074,688
Contingent Convertible Bonds	41	2,040,000
Less: treasury shares	41	(842)
Total Reserves	42	(65,845)
Retained Earnings	42	(8,004,333)
Equity Attributable to PB Shareholders		**9,663,623**
Minority Interests		**160,115**
Total Own Funds (before regulatory adjustments)		**9,823,738**
CET1 Regulatory adjustments		**(792,597)**
Goodwill	27	(14,717)
Intangible Assets	14 & 27	(267,319)
Minority Interest		(90,867)
Deferred tax assets that rely on future profitability and do not arise from temporary differences		(309,215)
Other Regulatory Adjustments to Common Equity Tier 1 Capital		(110,479)
Common Equity Tier 1 Capital		**9,031,142**
Additional Tier 1 (AT1) capital		**0**
Total regulatory adjustments to AT1 capital		**0**
Tier 1 capital (T1 = CET1 + AT1)		**9,031,142**
Tier 2 (T2) capital		**0**
Total regulatory adjustments to T2 capital		**0**
Total Regulatory Capital		**9,031,142**

3.6. Analysis of Risk Weighted Assets and Associated Capital Requirements

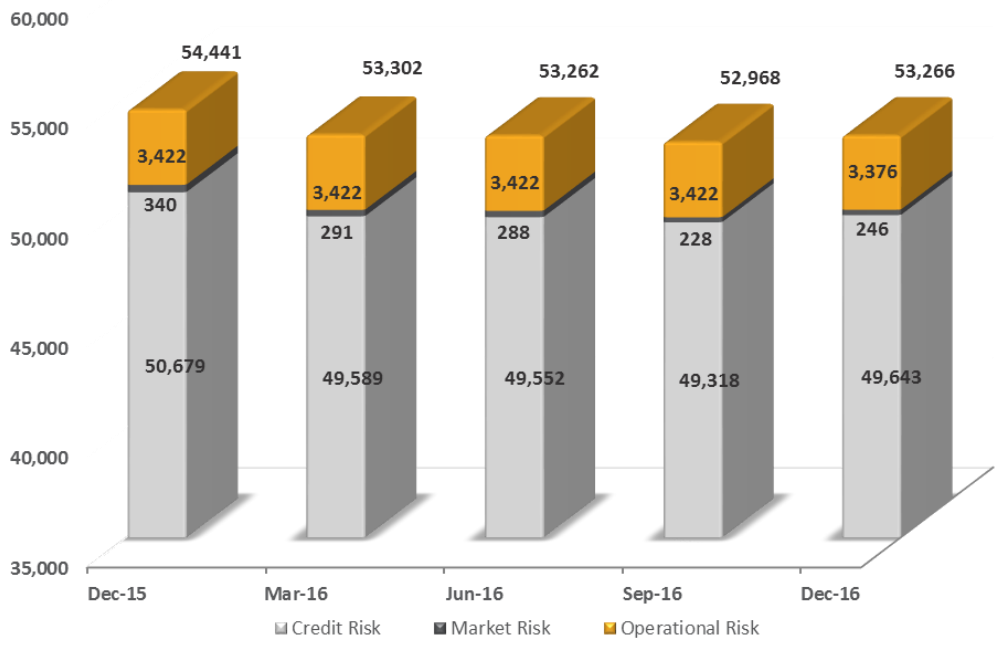
The Group's capital requirements for year-end 2016, amounted to €4.3 bn. Credit risk accounts for 93% of total risk weighted assets, operational risk accounts for 6%, while market risk for less than 1% of the Group's total risk weighted assets. The Group's risk weighted assets and capital requirements as of December 31st 2016 follow:

Table 05: Pillar I Risk Weighted Assets and Capital Requirements
31 Dec. 2016 (€ 000's)

	Risk Weighted Assets	Capital Requirements(1)
Credit Risk and Counterparty Credit Risk	**49,643,222**	**3,971,458**
Central governments or central banks	5,846,638	467,731
Regional governments or local authorities	29,654	2,372
Public sector entities	17,568	1,405
Institutions	290,598	23,248
International organizations	0	0
Corporates	8,250,735	660,059
Retail	2,386,541	190,923
Secured by mortgages on immovable property	8,143,392	651,471
Claims in the form of CIU	45,255	3,620
Items associated with particularly high risk	71,115	5,689
Equity Exposures	429,870	34,390
Exposures in default	19,098,178	1,527,854
Other items	5,033,678	402,694
Market Risk	**246,404**	**19,712**
Debt Instruments	76,931	6,154
Equity	32,971	2,638
Foreign Exchange	122,698	9,816
Credit Valuation Adjustment	13,756	1,100
Commodity Risk and Settlement Risk	48	4
Operational Risk	**3,376,479**	**270,118**
Total	**53,266,104**	**4,261,288**

(3) A coefficient of 8% is applied in order to convert risk weighted assets to regulatory capital

Graph 04: Risk Weighted Assets Evolution
(€ mn)



During the financial year of Dec. 2015 to Dec. 2016, the total risk weighted assets of the Group were reduced by €1.2 bn, as a result of the active management of the balance sheet, following the implementation of the Group's approved restructuring plan.

3.7. Internal Capital Adequacy Assessment Process (ICAAP)

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

The Group has established an ICAAP framework that addresses recent developments in the regulatory landscape. The framework has been designed in accordance with EU Regulation 575/2013 (Capital Requirements Regulation - CRR) and the guidelines for the Supervisory Review and Evaluation Process (SREP) by the European Banking Authority (EBA), while also considering further guidance provided by the European Central Bank (ECB) in the context of the Single Supervisory Mechanism (SSM).

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

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

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

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

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

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

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

Capital planning is a key component of the ICAAP and is explicitly interrelated with the business planning process of the Group. The projection and evaluation of capital adequacy on a forward looking basis is assessed under base, reverse stress and varied adverse macroeconomic scenarios, while it is also based on the assumptions and respective projections of balance sheet and income statement elements under the Group's business plan. This is also an iterative process as the estimation of the evolution of capital requirements and resources under the ICAAP is leveraged for the validation of the business plan's resilience in line with the objective of the Group to maintain a strong and stable capital base that supports its business plans and safeguards the ability to continue its operations smoothly.

3.8. Supervisory Review and Evaluation Process (SREP)

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

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

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

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

Following the completion of the Supervisory Review and Evaluation Process (SREP) for year 2016, the European Central Bank (ECB) notified the Group of its new total SREP capital requirement (TSCR), which applies from 1st January 2017. According to this decision, Piraeus Bank is required to maintain at all times, on a consolidated basis, a Total SREP Capital Ratio (TSCR) of 11.75%.

The TSCR of 11.75% includes:

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

In addition to the TSCR, the Group is also subject to the Overall Capital Requirement (OCR) which includes the applicable combined buffer requirement as defined in article 121 (6) of L.4261/2014. The combined buffer requirement for 2017, consists exclusively of the phase-in capital conservation buffer of 1.25%.

At December 31st 2016, Piraeus Bank Group had a CET1 capital ratio of 17,0%, far exceeding the regulatory requirements.

4. Credit Risk and Counterparty Credit Risk

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

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

Under the Group Risk Management, Credit Risk Management operates with the mission of monitoring, measuring and controlling the Group's credit risk exposures. Gross loans before provisions amounted to €66.6 bn at year end 2016. Total loans in Greece reached €63.0 bn, while loans from international operations amounted to €3.6 bn.

Furthermore, by business line, Group business loans amounted to €44.2 bn, accounting for 66% of the total loan portfolio, while retail loans amounted to €22.4 bn, or 34% of the total loan portfolio.

The Group's loans in arrears over 90 days ratio was 36.6% at the end of December 2016, while the respective ratio for Greek operations stood at 36.5%. It should be highlighted that despite the adverse economic environment in which the Group operated, the fourth quarter of 2016 the amount of NPL formation decelerated, consequently resulting to the decline in loans in arrears above 90 days ratio by approximately 217 bps compared to September 2016.

The Group's coverage ratio of loans in arrears over 90 days by cumulative provisions reached 69.5% and respectively for Greece 69,8%, resulting in a particularly high level of cumulative provisions over gross loans ratio of the Group, which reached 25.4%.

The table below presents the analysis of the carrying amounts of December 2015 and December 2016, as well as the y-o-y average of the relevant accounting categories. It includes all on and off balance sheet assets, including discontinued operations.

Table 06: Group Credit Exposures at Carrying Amounts (€ 000's)

	31.12.2016	31.12.2015	Balance Average
Loans and advances (after provisions)	**49,707,608**	**51,223,740**	**49,392,194**
Loans to individuals	22,435,310	23,743,666	23,031,563
Mortgages	16,161,570	16,872,987	16,449,651
Consumer/*Personal Loans*	5,034,379	5,487,723	5,250,818
Credit cards	1,239,361	1,382,956	1,331,094
Corporate loans	44,213,139	45,106,908	43,665,512
Provisions	(16,940,842)	(17,626,834)	(17,304,881)

Table 06: Group Credit Exposures at Carrying Amounts (€ 000's)			
	31.12.2016	31.12.2015	Balance Average
Other Receivables	**31,792,927**	**36,710,238**	**34,038,862**
Nostro, Sight Accounts, Loans and receivables to Credit Institutions	1,665,615	2,053,991	1,913,689
Derivative financial instruments – assets	445,645	437,684	466,558
Debt instruments of Trading Portfolio	193,861	246,987	249,305
Debt Securities - Receivables	13,246,257	17,021,854	15,107,526
Debt Instruments Available for Sale	2,740,246	3,147,638	2,908,742
Debt Instruments Held to Maturity	6,634	24,059	13,446
Investment in Associates	232,637	297,738	260,213
Other Assets	13,262,031	13,480,288	13,119,382
Off-balance sheet items	**3,209,559**	**3,362,810**	**3,233,751**
Letters of Guarantee	2,823,918	2,964,431	2,845,451
Letters of Credit	43,086	30,316	38,262
Undrawn Committed Credit Facilities	342,555	368,063	350,038
Total	**84,710,093**	**91,296,788**	**86,664,807**

The table below presents selected on and off balance sheet items in residual maturity buckets. It includes all on and off balance sheet assets, including discontinued operations.

Table 07: Gross Loans [(1)], Debt Securities and Off-Balance Sheet Items by Residual Maturity 31 Dec. 2016 (€ 000's)						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Corporate Loans	**1,718,259**	**1,531,358**	**3,024,090**	**30,335,176**	**7,604,255**	**44,213,139**
Retail Loans of which	**746,096**	**200,584**	**891,272**	**6,153,070**	**14,444,288**	**22,435,310**
- Mortgage	*319,186*	*140,049*	*639,276*	*3,234,627*	*11,828,432*	***16,161,570***
- Consumer	*426,910*	*60,535*	*251,996*	*1,679,082*	*2,615,856*	***5,034,379***
- Credit Cards	*0*	*0*	*0*	*1,239,361*	*0*	***1,239,361***
Nostro, Sight Accounts, Loans and receivables to Credit Institutions	**302,203**	**18,984**	**1,163**	**1,316,871**	**26,394**	**1,665,616**
Trading Bonds	1,172	0	15,703	160,018	6,738	**183,631**
Debt securities-receivables	0	813,993	814,098	7,867,175	3,750,991	**13,246,257**
Bonds Available for Sale	5,265	1,004,330	783,074	336,655	321,714	**2,451,038**
Bonds Held to Maturity	0	0	0	320	0	**320**
Off Balance sheet items of	**118,410**	**127,029**	**695,721**	**2,195,483**	**72,916**	**3,209,559**

Table 07: Gross Loans (1), Debt Securities and Off-Balance Sheet Items by Residual Maturity 31 Dec. 2016 (€ 000's)						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
which						
- Letters of Credit	*62,694*	*99,741*	*555,309*	*2,100,523*	*5,651*	***2,823,918***
- Letters of Guarantee	*21,727*	*10,406*	*10,953*	*0*	*0*	***43,086***
- Undrawn Credit Facilities	*33,989*	*16,882*	*129,459*	*94,960*	*67,265*	***342,555***
Total	**2,947,229**	**3,696,278**	**6,225,121**	**48,394,089**	**26,227,297**	**87,490,014**

(1) Before credit risk adjustments

4.1. Credit Risk Measurement and Reporting Systems

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

4.1.1. Loans and advances

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

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

The Group assesses the creditworthiness of borrowers and estimates the probability of default on their obligations by applying credit rating models. The models combine financial and statistical analysis along with the expert advice of responsible officers. Whenever possible, the models are tested by benchmarking against externally available information.

According to the Group's policy, each borrower is rated when their credit limit is initially determined and thereafter re-rated at least on an annual basis. The ratings are also updated when there is updated available information that may have a significant impact on the level of credit risk. The Group regularly tests the predictive ability of the creditworthiness evaluation and rating models.

4.1.2. Corporate Credit

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

Additional information regarding the ratings classification and the credit lending policy is available in the Annual Financial Report 2016 chapter 3.1.2.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

4.1.3. Retail Credit

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

Additional information regarding scorecards of client credit assessment is available in the Annual Financial Report 2016 chapter 3.1.2.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

4.1.4. Recovery Based on Existing Collateral, Security and Guarantees

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

4.1.5. Risk Based Pricing

Piraeus Bank has developed a risk based pricing methodology, aiming to incorporate fundamental parameters in the pricing of the loan products. In particular, the risk based pricing spread, which is added to the reference rate, covers the cost of credit risk, the cost of capital, the cost of funding and the operating cost of the loan.

Within 2016, a back testing exercise was conducted and a pilot phase was initiated in order for the results to be analyzed and the methodology to be validated.

4.1.6. Securities and Other Bills

The Group holds a portfolio of sovereign, bank and corporate debt, including Greek and international issues, as well as bonds issued from the European Financial Stability Fund (EFSF) and the European Stability Mechanism (ESM). For the proper management and monitoring of risks, positions in debt securities are subject to approved limits, according to the Group's policies and procedures.

For the measurement and evaluation of credit risk entailed in debt securities and other bills, external ratings from rating agencies are used, such as Moody's, Standard & Poor's and Fitch.

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

4.1.7. Concentration Risk

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

- name concentration and
- sector concentration.

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

Additional information regarding concentration risk is available in the Annual Financial Report 2016 chapter 3.1.4.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

Table 08: Industry Sector Breakdown of the Loan Portfolio
31 Dec. 2016 (€ 000's)

	Neither Past Due nor Impaired	Past Due but Not Impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd		of which > 90 dpd	Specific Provisions	Collective Provisions
Business Loans	**16,771,144**	**3,142,153**	**1,338,988**	**20,894,712**	**15,369,317**	**-10,773,111**	**-1,920,776**
of which: SME	7,883,728	1,730,717	986,411	14,204,970	11,495,067	-6,645,273	-1,833,817
Agriculture, forestry and fishing	578,004	77,125	80,770	415,942	348,319	-184,589	-76,182

Table 08: Industry Sector Breakdown of the Loan Portfolio 31 Dec. 2016 (€ 000's)							
	Neither Past Due nor Impaired	Past Due but Not Impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd		of which > 90 dpd	Specific Provisions	Collective Provisions
Mining and quarrying	52,572	4,880	2,893	61,738	48,410	-28,088	-6,902
Manufacturing	2,926,343	478,778	187,975	3,683,818	2,976,553	-1,770,128	-302,831
Electricity, gas, steam and air conditioning supply	1,611,713	118,173	15,377	160,880	15,922	-74,864	-7,693
Water supply	26,544	3,953	699	45,411	31,167	-24,291	-3,284
Construction	1,368,612	270,009	156,134	3,449,880	2,628,184	-1,876,864	-178,443
Wholesale and retail trade	2,375,678	450,960	189,443	3,707,379	3,143,702	-1,559,586	-675,875
Transport and storage	2,266,345	597,101	129,490	1,543,180	723,607	-884,115	-115,100
Accommodation and food service activities	1,673,346	366,572	133,607	1,238,595	844,788	-415,444	-134,164
Information and communication	260,313	49,582	6,119	505,193	303,161	-273,688	-26,643
Financial services	468,761	263,182	3,366	1,842,156	1,227,752	-1,285,792	-7,711
Real estate activities	966,750	205,865	175,340	1,786,912	1,317,266	-988,127	-25,714
Professional, scientific and technical activities	289,642	25,461	15,161	509,840	384,954	-274,895	-56,442
Administrative and support service activities	273,190	23,143	50,326	190,456	168,911	-105,281	-29,702
Education	47,284	9,167	13,558	29,608	27,169	-12,065	-8,349
Human health services and social work activities	179,399	128,829	27,855	263,616	242,947	-133,299	-11,928
Arts, entertainment and recreation	255,595	9,282	14,642	323,551	44,425	-200,297	-9,050
Other services	1,151,052	60,090	136,231	1,136,558	892,080	-681,698	-244,763
Public Sector Loans	**2,053,402**	**1,783**	**132**	**10,827**	**7,568**	**-1,023**	**-511**
Retail Loans	**11,852,902**	**2,832,189**	**358,735**	**7,391,483**	**7,306,921**	**-262,211**	**-3,983,209**
Mortgages	9,343,251	2,271,281	358,690	4,188,348	4,167,842	-166,433	-1,659,911
Consumer	1,940,303	534,940	45	2,559,090	2,495,039	-94,477	-1,815,536
Credit Cards	569,349	25,968	0	644,044	644,039	-1,301	-507,762
Total	**30,677,448**	**5,976,125**	**1,697,855**	**28,297,022**	**22,683,807**	**-11,036,345**	**-5,904,496**

4.1.8. Country Risk

Country risk summarizes and reflects (a) sovereign risk: the risk of loss arising from the inability or unwillingness of the government of a country to serve its debt, resulting in renegotiation or restructuring of the debt, or other actions equivalent to breach of contractual obligation and (b) transfer risk: is linked to cross-border foreign currency lending and is defined as the risk of loss arising from the inability of obligors to fulfil their obligations due to governmental actions which impose restrictions to fund transferring outside of the country in which they operate e.g. currency flows and conversion restrictions. The Group's cross-border activities expose the entity to country risk, which is highly related to local economic and socio-political environments. For timely and effective monitoring of country risk, the Bank has established a framework for evaluation and management according to

which specific country limits are established, monitored and evaluated on a regular basis (at least annually). For country risk assessment, both quantitative and qualitative criteria are used, taking into account the evolution of risk parameters and the volume/structure of the Group's country exposures.

Table 09: Geographical Breakdown of the Loan Portfolio
31 Dec. 2016 (€ 000's)

	Neither Past Due nor Impaired	Past Due but Not Impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd		of which > 90 dpd	Specific Provisions	Collective Provisions
Greece [1]	**28,431,620**	**5,362,259**	**1,584,339**	**24,577,427**	**19,806,691**	**-8,689,577**	**-5,808,738**
Attica	16,829,612	2,881,433	750,804	13,540,414	10,369,935	-5,827,045	-2,595,015
East Macedonia & Thrace	789,907	157,510	39,268	641,468	587,867	-100,241	-232,081
North Aegean	236,052	51,852	17,177	182,307	140,201	-37,273	-70,542
West Greece	811,899	169,409	62,465	987,138	836,454	-245,697	-292,677
West Macedonia	361,882	72,521	31,558	297,969	277,225	-59,587	-106,148
Epirus	601,175	165,041	43,591	534,283	481,776	-112,808	-173,231
Thessaly	973,760	159,595	79,260	938,135	818,669	-247,635	-272,736
Ionian Islands	353,602	77,343	25,384	290,126	264,941	-60,465	-88,110
Central Macedonia	3,356,866	652,845	213,077	3,432,826	2,944,642	-1,060,678	-916,691
Crete	1,579,075	319,716	136,185	1,346,540	1,089,753	-392,847	-365,636
South Aegean	945,531	259,584	78,938	825,828	584,899	-204,764	-166,041
Peloponnese	888,474	223,943	68,432	789,490	719,098	-134,277	-291,727
Central Greece	703,785	171,469	38,201	770,903	691,229	-206,259	-238,102
Cyprus	**419,577**	**30,340**	**18,295**	**489,686**	**351,257**	**-355,389**	**-13,779**
CEE Countries [2]	**1,415,350**	**357,193**	**70,784**	**1,744,689**	**1,310,775**	**-851,392**	**-54,504**
Rest of Europe	**177,416**	**13,802**	**7,083**	**358,744**	**266,592**	**-244,020**	**-9,657**
Other Countries	**233,485**	**212,531**	**17,354**	**1,126,476**	**948,492**	**-895,966**	**-17,819**
Total	**30,677,448**	**5,976,125**	**1,697,854**	**28,297,022**	**22,683,807**	**-11,036,345**	**-5,904,496**

(1) Includes shipping portfolio of €2.7 bn.

(2) Russia, Czech Republic, Poland, Hungary, Romania, Moldavia, Croatia, Lithuania, Latvia, Estonia, Slovenia, Slovakia, Bulgaria, Ukraine, Belarus, Serbia, Montenegro, Bosnia-Herzegovina, Albania.

4.1.9. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Additional information regarding counterparty credit risk is available in the Annual Financial Report 2016 chapter 3.1.6.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

Counterparty credit risk is applicable to:

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

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

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

Table 10: Exposure Value of Derivatives and SFT's per Contract Type[1]
31 Dec. 2016 (€ 000's)

Contract Type	Original Exposure	Financial Collateral and Contractual Netting	Exposure (E*)	Capital Requirements
Cross Currency Interest Rate Swaps	70,530	30,338	40,192	499
Interest Rate Swaps	522,277	133,848	388,429	7,310
Foreign-exchange transactions	25,464	12,836	12,628	455
Repurchase agreements	6,072,670	5,895,127	177,543	3,023
Reverse Repurchase agreements	30,005	24,188	5,817	444
Other Derivatives	10,559	76	10,483	892
Total	**6,731,504**	**6,096,412**	**635,092**	**12,622**

(1) Exposure value is comprised of the contract's replacement cost and the potential future exposure add-on

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

Table 11: Exposure Value of Derivatives and SFT's by Residual Maturity
31 Dec. 2016 (€ 000's)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Derivative Financial Instruments	4,200	7,809	6,637	13,995	419,092	451,732
Repurchase Agreements	177,885	5,151	312	11	0	183,360
Total	**182,085**	**12,960**	**6,949**	**14,005**	**419,092**	**635,092**

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

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

Table 12: Effect of Master Netting Agreements on Current Replacement Costs 31 Dec. 2016 (€ 000's)	
Exposure Values of Derivatives Excluding PFE under the Standardized Approach	
Gross Positive Fair Value before Netting	460,907
Netting Benefits	96,740
Netted Current Credit Exposure	364,167
Collateral Held	0
Net Derivatives Credit Exposure	**364,167**

It should be noted that, given the current state of the interbank market, no material changes are expected on the Group's collateral postings due to rating downgrades. As of year-end December 2016, the Group had no positions on credit derivatives.

4.2. Credit Risk Mitigation & Control

4.2.1. Credit Limits

Piraeus Group sets credit limits in order to manage and control its credit risk exposures and concentration risk. Credit limits define the maximum acceptable level of undertaken risk per counterparty, per group of counterparties, per credit rating, per product, per sector of economic activity and per country. Additionally, limits are set and applied against exposures to financial institutions.

The Group's total exposure to credit risk, including financial institutions, is further controlled by the application of sublimits that address on and off-balance sheet exposures.

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

Credit limits are set with an effective duration of up to twelve months and they are subject to annual or more frequent review. The responsible approval authorities may, in special circumstances, set a shorter duration than twelve months

4.2.2. Collateral Use

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

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

The Group receives collateral or security that reduces the overall credit risk exposure and ensures the prompt repayment of claims.

For that purpose, the Group has defined and included in its credit policy the following main types of acceptable collateral and security:

- Pledged deposits,

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

4.2.3. Collateral Valuation

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

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

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

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

The following table portrays the Group's exposures secured with eligible collateral and guarantees (reference date December 31st 2016), according to the Standardized Approach (Regulation (EU) No 575/2013).

Table 13: Exposures Covered by Regulatory Eligible Collateral under the Standardized Approach per Exposure Class 31 Dec. 2016 (€ '000s)			
Exposure Class	**Financial Collateral**	**Guarantees**	**Secured by Immovable Property**
Central Governments/ Central Banks	6,179	-	255,579
Regional governments and local authorities	2,753	329	163
Administrative Bodies & Non-Profit Organizations	1,959	91	-
Financial Institutions	5,891,711	-	1,563
Multilateral Development Banks	-	-	-
International Organizations	-	-	-
Corporate entities	707,379	163,351	-
Retail customers	200,251	198,875	-
Claims secured by real estate property	68,874	233,781	14,068,346
Cover bonds	-	-	-
UCITS	-	-	-
Short-term exposures	-	-	-
Stocks, Participations and Other Assets	-	-	-
Exposures in default	264,409	393,929	11,473,659
Total	**7,143,516**	**990,357**	**25,799,311**

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

- Only regulatory eligible, according to the Standardized Approach, guarantees and financial collateral are included. These credit risk mitigants are considerably fewer compared to those accepted by Piraeus Group for business purposes.
- The values depicted in the table above are presented after the application of the relevant regulatory haircuts.
- The exposures secured with real estate collateral are fully covered by commercial and residential real estate and exclude Greek government guarantees presented in a separate column. Under the standardized approach residential and commercial real estate collateral does not affect the value of the exposure, as in other asset classes, but it is reflected in a more favorable risk weight against credit risk, according to the regulatory framework.
- The majority of exposures in default are covered, apart from the regulatory eligible guarantees and financial collateral, by commercial and residential real estate as well. The additional coverage does not affect the value of the exposure, as in other asset classes, but it is reflected in a more favorable risk weight against credit risk according to the regulatory framework.

4.3. Impairment Policy

The Group assesses on a regular basis whether there is any objective evidence that a financial asset or group of financial assets is impaired. To this extent and in every financial statements reporting period, the Bank uses a very analytical method of calculating the impairment loss of its loans portfolio

(impairment test) for the purpose of creating adequate provisions coverage for this portfolio, according to International Financial Reporting Standards (IFRS).

Additional information regarding the impairment policy for individual provisions, the collective assessment for business loan portfolio and retail loan portfolio is available in the Annual Financial Report 2016, note 3.1.8 to 3.1.10. Furthermore, information concerning objective evidence of impairment is presented in note 2.13 of the Annual Financial Report 2016.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

Table 14: Movement in Impaired Loans & Advances
31 Dec. 2016 (€ 000's)

	Loans to Individuals	Loans to Corporate Entities	Loans to Public Sector	Total
Opening balance as at 1.1.2016	**4,370,816**	**13,106,305**	**2,686**	**17,479,807**
Charge for the year	310,797	704,165	-343	1,014,620
Total impairment loss on L&As	**310,797**	**704,165**	**-343**	**1,014,620**
Amounts written off	-262,899	-964,035	-552	-1,227,487
Provision of derecognized loans	-5,154	-39,280	0	-44,434
Unwinding	-147,478	-202,480	-199	-350,157
Provision of disposed companies	-1,282	-21,839	0	-23,120
Foreign exchange differences and other movements	-19,381	111,052	-58	91,613
Closing balance as at 31.12.2016	**4,245,420**	**12,693,888**	**1,535**	**16,940,842**

4.4. Forbearance and Restructuring Policy

The Group adopted the implementing technical standards (ITS) of the European Banking Authority (EBA) relating to forborne loans, in alignment with the Bank of Greece Executive Committee Act No. 42/30.5.14 for the "Supervisory framework for the management of loans in arrears and non-performing loans". As of December 31st 2016 forborne loans accounted for €15.592 bn

Additional information regarding restructuring policy as well as analysis of restructured loans per portfolio is available in the Annual Financial Report 2016 chapter 3.1.12 and 3.4.1 –3.4.5.

(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements)

4.5. Securitization

According to the minimum requirements set by Regulation (EU) No 575/2013, with reference date December 31st 2016, there was no significant transfer of credit risk from securitizations, since the Group retained almost in full every tranche in each securitization. All underlying loans are risk weighted using the standardized approach for credit risk.

For securitization exposures, where the Group acts as an investor, external credit ratings from Moody's Investors Service, Standard & Poor's Rating Services and Fitch Ratings are utilized. On December 31st 2016, the Group did not hold any investments in securitizations.

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

4.6. External Credit Assessment Institutions (ECAIs)

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

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

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

Table 15: ECAI Credit Quality Step Mapping

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

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

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

The following table depicts the breakdown of exposures to central governments, financial institutions and corporate asset classes per credit quality step. It should be noted that, for risk weighting purposes, the CRR provisions for the preferential treatment of exposures to central governments and financial institutions are applied.

Table 16: Breakdown of Credit Risk Exposures by Credit Quality Step[1]
31 Dec. 2016 (€ 000's.)

Exposure Class	Exposure Value Before Credit Risk Mitigation Techniques	Exposure Value After Credit Risk Mitigation Techniques
Central Governments		
1	49,832	49,773
2	0	0
3	597,186	597,186
4	70,790	70,790
5	194,299	194,299
6	2,413,893	3,325,692

Table 16: Breakdown of Credit Risk Exposures by Credit Quality Step[1] 31 Dec. 2016 (€ 000's.)		
Exposure Class	Exposure Value Before Credit Risk Mitigation Techniques	Exposure Value After Credit Risk Mitigation Techniques
Total Exposures	**3,325,999**	**4,237,739**
Financial Institutions		
1	209,245	209,229
2	778,558	786,322
3	234,058	244,931
4	1787.34	1787.34
5	28,181	31,543
6	37,159	43,310
Unrated	408,198	399,993
Total Exposures	**1,697,186**	**1,717,114**
Corporates		
1	0	0
2	874,232	702,258
3	478,207	364,657
4	1,350,038	1,028,475
5	256,676	191,956
6	340,869	297,528
Unrated	7,399,227	5,877,999
Total Exposures	**10,699,249**	**8,462,873**

(1) Deferred tax assets of € 4.7 bn and seasonal agri-loan exposures of € 1.9 bn are not included in the exposures to central government asset class.

4.7. Capital Requirements - Standardized Approach

4.7.1. Credit Risk

The following tables contain exposures values net of provisions and after the application of credit risk mitigation techniques, per exposure class and applicable risk weight. Off-balance sheet items are depicted following the application of credit conversion factors.

Table 17: Credit Risk per Asset Class and Risk Weight[1]
31 Dec. 2016 (€ 000's.)

Exposure Class	Exposure Value (After Credit Risk Mitigation Techniques & Provisions)	Capital Requirements
Central governments or central banks	**10,835,961**	**467,560**
0%	5,853,506	0
20%	47,774	764
100%	4,334,503	346,760
250%(2)	600,178	120,036
Regional governments or local authorities	**146,525**	**2,372**
20%	146,257	2,340
150%	268	32
Public sector entities	**13,046**	**1,405**
20%	2	0
100%	3,997	320
150%	9,047	1,086
Institutions	**802,682**	**18,892**
20%	700,550	11,209
50%	53,096	2,124
100%	8,115	649
150%	40,921	4,910
International organizations	**13,211,106**	**0**
0%	13,211,106	0
Corporates	**8,362,379**	**652,625**
20%	27,724	444
50%	709,809	28,392
100%	7,153,062	567,674
150%	471,784	56,115
Retail	**3,575,914**	**190,853**
75%	3,575,914	190,853
Secured by mortgages on immovable property	**17,169,738**	**651,471**
35%	8,742,905	234,118
50%	5,124,670	191,698

Table 17: Credit Risk per Asset Class and Risk Weight[1] 31 Dec. 2016 (€ 000's.)		
Exposure Class	Exposure Value (After Credit Risk Mitigation Techniques & Provisions)	Capital Requirements
75%	1,755,735	97,286
100%	1,378,161	108,312
150%	168,267	20,058
Claims in the form of CIU	**45,255**	**3,620**
100%	45,255	3,620
Items associated with particularly high risk	**47,410**	**5,689**
150%	47,410	5,689
Equity Exposures	**415,975**	**34,390**
100%	406,713	32,537
250%	9,263	1,853
Exposures in default	**17,789,432**	**1,527,262**
100%	15,187,763	1,215,062
150%	2,601,669	312,200
Other items	**6,725,601**	**402,694**
20%	231,081	3,697
50%	8,189	328
100%	4,983,047	398,644
150%	213	26
Total	**77,638,465**	**3,958,836**

(1) With the exception of exposures under the Central Governments and International Institutions asset classes, other items risk weighted at 0% (e.g. cash in hand, prepaid Taxes etc) were omitted.
(2) Deferred tax assets not deducted from regulatory own funds.

4.7.2. Counterparty Credit Risk (CCR)

The following table presents exposure values of derivative and securities financing transactions, as well as their capital requirements. The exposure value of derivatives has been calculated according to the mark-to-market method after credit risk mitigation techniques, incurred CVA and netting.

Table 18: Counterparty Credit Risk & Central Counterparty Risk
31 Dec. 2016 (€ 000's)

Exposure Class	Exposure Value (After Credit Risk Mitigation Techniques & incurred CVA)	Capital Requirements
Central governments or central banks	**316,618**	**171**
0%	314,482	0
100%	2,135	171
Institutions	**218,446**	**4,356**
20%	184,206	2,947
50%	33,276	1,331
100%	965	77
Corporates	**93,084**	**7,434**
100%	92,805	7,400
150%	280	34
Retail	**1,285**	**70**
75%	1,285	70
Exposures in default	**5,659**	**592**
100%	2,175	174
150%	3,484	418
Total	**635,092**	**12,622**

5. Market Risk

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

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

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

During 2016 there was an increase in the Group's position in Greek Government Treasury bills by €43 mn and a marginal reduction in Greek Government Bonds by €6 mn. Additionally, in the available for sale portfolio there was an increase in fixed rate Greek Government Bonds by €56 mn and in the Trading book there was a reduction of €62 mn. Positions in the European Financial Stability Fund in the loans and receivables portfolio decreased by €3.7 bn. The ESM bonds remained stable. Also, there was a reduction in the value and position of exchange traded shares in the available for sale portfolio by about €69 mn.

5.1. Measurement

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

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

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

The Group tests the validity of the estimated Value-at-Risk by conducting a back-testing program for the trading book. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to changes in market prices. When back testing results show repetitive and inexplicable exceptions, the VaR model is considered inadequate. During 2016, there were five exceptions, the majority of them stemming from the EGP depreciation on November 2016. The number of the exceptions, taking into account the extraordinary circumstances, indicates that the risk assessment model is performing effectively.

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

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

5.1.1. Interest Rate Risk

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

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

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

The trading book value at risk estimate decreased in 2016 due to a reduction in Greek government bonds.

Table 19: Daily Value at Risk of the Trading Portfolio (€ mn)

	31.12.2016	31.12.2015	31.12.2014
VaR Interest Rate Risk	0.37	2.81	3.33
VaR Equity Risk	-	-	-
VaR FX Risk	0.82	2.68	2.64
VaR Commodity Risk	-	-	-
Diversification effect	-0.38	-1.68	-1.88
Group Trading Book - Total VaR	**0.81**	**3.81**	**4.15**

5.2. Capital Requirements - Standardized Approach

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

Table 20: Market Risk Capital Requirements[1] 31 Dec. 2016 (€ 000's)	
	Capital Requirements
Specific Risk on Debt Instruments	2,426
General Risk on Debt Instruments	3,729
Equity Specific Risk	1,496
Equity General Risk	675
Commodity Risk, Settlement Risk, Gamma and Vega risk from options	471
CVA	1,100
FX Position Risk	9,816
Total	**19,712**

5.2.1. Credit Valuation Adjustment (CVA)

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

Piraeus Bank Group uses the standardized approach for calculating CVA, while on December 31st 2016 the relevant capital requirements amounted to €1.1 mn.

6. Operational Risk

6.1. Introduction

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

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

6.2. Operational Risk Definition

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

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

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

In addition, operational risk includes:

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

- Systems - information and communication technology (ICT) risk: the current or prospective risk of loss due to the inappropriateness or failure of the hardware and software of technical infrastructures, which can compromise the availability, integrity, accessibility and security of such infrastructures and of data.
    - Cyber risk, as part of ICT risk, is related to online activities, internet trading, electronic systems, IT infrastructure - networks as well as data. The risk is the probability of an act or event and the adverse effect that may have on the organization or person and their information assets (software, hardware and data). ICT risks include:
        - ICT availability and continuity risks
        - ICT security risks
        - ICT change risks
        - ICT data integrity risks
        - ICT outsourcing risks
- Money-laundering/terrorism financing (ML/TF) risk: the possibility of financial loss and negative reputational impact, deriving from utilization of Group's services and products for money-laundering or terrorism financing purposes.
- Reputational risk: the current or prospective risk to the Group's earnings, own funds or liquidity arising from damage to the Group's reputation, loss of confidence in or disaffection with the Group by investors, depositors or interbank-market participants.
- Environmental & social risk (E&S risks): the risk deriving from the Group's and its loan customers' or investees' business activities with negative impact on environment or society. The E&S risks are at least associated with credit, market, legal, reputational risks.
- Outsourcing risk: the risk deriving from outsourcing assignments, mainly due to dependency on third parties and/or their failure to meet contractual obligations. Indicatively, the outsourcing risks are associated to financial loss, penalty/fine, scrutiny by the supervisor, negative impact on reputation, business disruption, loss of expertise and control of the Group's operations. Associated risks include operational, reputational, compliance, counterparty, concentration, systemic, legal, country and other risks. Outsourcing means the agreement of any kind between an institution and a service provider, according to which the service provider performs a process, provides a service or operates an activity that, otherwise, would be performed, provided or operated by the credit institution itself. (BoG Act 2597/2007)

6.3. Framework

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

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

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

- operational risk is assumed and managed locally, at a unit level, as close as possible to its source.
- operational risk management framework includes:
  - organizational structure & responsibilities for the management of operational risk,
  - operational risk appetite (statements, limits & indicators),
  - processes regarding:
    - risk and control self-assessment,
    - key risk indicators,
    - action plans,
    - extreme scenario analysis,
    - incidents and losses collection,
    - capital requirements and Value at Risk (VaR) calculation,
    - operational risk mitigation techniques and
    - framework of internal and external reports.
- The Group has a documented and adequate Internal Control System, which consists of a broad array of internal controls and processes that cover, on a continuous basis, all Group's activities, ensuring effective and secure operation.
- The Internal Control System includes the Business Continuity Plan (BCP), aiming at eliminating any negative impact which may occur by crisis situations within the activity of the Group.
- Conduct risk is directly managed across all phases (identification, assessment, monitoring, reporting) within the operational risk management framework, as part of legal and compliance risk.
- Piraeus Bank is committed to systematically manage environmental and social risks, to which may be exposed as a result of its business activities. The management of these risks is implemented through the environmental and social management system (ESMS) as established in Group Environmental and Social Policy.
- A risk management program, aiming at mitigation of ICT and cyber risks, has been developed and documented[2] by Group IT Security and Control Unit.

In 2016, the Group implemented improvement actions regarding its functions and infrastructure and adopted a focused approach on the monitoring of its operational risk level, aiming at further reducing its operational risk profile.

6.4. Risk & Control Self-Assessment (RCSA)

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

Risk assessment process includes the following:

- Identification of potential risks by analyzing business processes.
- Assessment of potential risks in terms of probability of occurrence and magnitude of (financial and qualitative) impacts.

---

[2] "Information Security Risk Assessment Methodology – Information Security Management Framework (12/9/2014)"

- Potential risk criticality assessment and business unit's risk profile evaluation.
- Establishment and monitoring of action plans and key risk indicators.

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

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

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

6.5. Operational Risk Incidents and Losses

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

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

6.5.1. Evolution of Operational Risk Losses

Actual annual gross losses in 2016, for the Group and the Bank, have been reduced by 49% and 50% respectively, compared to 2015.

- The 68% of Group annual gross losses were derived from customer compensation and provisioning adjustments due to inappropriate supply of financial services (conduct risk).
- The 9% of Group annual gross losses, recovered through insurance coverage or other recovery mechanisms.
- The most significant reduction in relation to the various operational risk categories, was recorded in execution failure risk.

6.6. Risk Appetite

The Group, in line with best practices, expresses its risk appetite through a comprehensive risk appetite framework (RAF), which consists of qualitative and quantitative risk appetite statements with established limits and early warning levels to serve as a monitoring tool to the Board of Directors, Risk Management Committee and Senior Management.

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

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

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

6.7. Mitigation & Control

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

6.7.1. Internal Control System (ICS)

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

6.7.2. ICS Enhancement Projects (Action Plans)

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

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

6.7.3. Operational Risk Alerts

In case of critical operational risk incidents, the Operational Risk Management unit, in cooperation with the involved units, issues a notification (alert) to the Group Operational Risk Assessment Team (GORAT) and the Management aiming at their timely and effective information.

The alert notification provides information on the particular incident as well as on any direct corrective actions taken by the involved units for the immediate containment of its impacts and / or the avoidance of reoccurrence.

6.7.4. Internal Audit Findings

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

The utilization of these findings aims at:

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

6.7.5. Risk Assessment of New Products, Processes & Activities

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

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

6.7.6. Insurance Coverage

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

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

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

6.7.7. Human Resources Training

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

Training activities involve all Group employees and include:

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

6.7.8. Group Business Continuity Plan

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

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

6.8. Monitoring & Reporting

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

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

Indicative categories of operational risk management reports include:

- Internal reporting to Senior Management and Board of Directors, regarding information indicatively related to the evolution of Group's risk profile, the main operational risk indicators in relation to the corresponding limits of the risk appetite framework, the top potential operational risks as well as the top operational risk losses, the evolution of risks and losses per risk category and the evolution of VaR.
- External reporting: which includes the regulatory reports as required by the current regulatory framework (solo/group basis) and the reports to third parties such as the rating agencies.

6.9. Capital Requirements - Standardized Approach

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

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

Table 21: Operational Risk Capital Requirements
31 Dec. 2016 (€ '000s)

	Capital Requirements
Corporate Finance	7
Trading and Sales	-27,249
Retail Banking	167,511
Commercial Banking	114,344
Payment & Settlement	6,598
Agency Services	885
Asset Management	6,898
Retail Brokerage	1,124
Total	**270,118**

7. Equity Exposures Not Included in the Trading Portfolio

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

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

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

The fair value of domestic and overseas listed shares is determined according to current bid prices (market price). The total value of listed shares of Piraeus Bank Group, within the available for sale securities category, is €7.8 mn as December 31st 2016.

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

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

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

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

Table 22: Available for Sale Investments (€ 000's)

	31.12.2016
Athens stock exchange listed shares	6,369
Foreign stock exchange listed shares	1,464
Unlisted shares	192,461
Mutual Funds	88,915
Other variable income securities	8,496
Total	**297,704**

Furthermore, it is noted that the total amount of realized gain/losses from sales of available for sale shares and other variable income securities, amounts to gain €81,5 mn for the year 2016.

The total net amount of unrealized gains from revaluation of such shares reached €13,9 mn as at December 31st 2016.

8. Interest Rate Risk in the Banking Book

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

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

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

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

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

The project consists of three phases: Phase I - Gap analysis & STE template, Phase II - Base rate framework and Phase III - Other initiatives (identified during the gap analysis).

Phase I of the project has been completed with the approval of the STE template on March 15th 2016, and its submission to the Regulatory Authorities.

Currently the Bank is participating in the IRRBB Stress Test exercise which was not a part of the original planning as a regulatory obligation. Initiation dates for Phases II & III will be reexamined upon completion of the IRRBB Stress Test and could be revised. In any case estimated completion of the project is set at Q4 2017.

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

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

Indicatively, interest rate sensitivity estimates for the above risk metrics, for a potential parallel upward shift of 200 basis points in yield curves for main currencies as of December 31st 2016, are as follows:

Table 23: Changes in Net Interest Income (NII) and Economic Value of Equity (EVE)
31 Dec. 2016 (€ 000's)

	EUR	USD	CHF	Other
Δ(EVE)	-173.91	-13.14	-15.92	6.35
Δ(NII)	-87.05	-12.19	-0.39	-15.28

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

In addition, Net Interest Income (NII) results indicate that the current level is below the limits that have been established in the risk capital strategy.

9. Liquidity Risk

Liquidity risk management is associated with Bank's ability to maintain adequate liquidity positions in order to meet its payment obligations. In order to manage this risk, future liquidity requirements are monitored thoroughly, along with the respective needs for funding, depending on the projected maturity of outstanding transactions. In general, liquidity management is a process of balancing cash flows within time bands, so that, under normal conditions, the Group may meet all its payment obligations, as they fall due.

9.1. Liquidity Risk Framework

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

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

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

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

Under Directive 2013/36/EU, credit institutions are required to have comprehensive policies, procedures, policies and systems to ensure adequate monitoring of liquidity risk. During 2015, Piraeus Group has submitted to SSM, the Internal Liquidity Adequacy Assessment Process (ILAAP) report for the first time, according to article 86 of Directive 2013/36, followed by a submission to SSM in April 2016 of the Report on the Internal Liquidity Adequacy Assessment Process (ILAAP), which contains the rules governing the management of liquidity risk and the main results of current and future bank liquidity position evaluation. Within the framework of the ICAAP and ILAAP procedures, the Group examined stress test scenarios and assessed their impact on the liquidity position and on the mandatory liquidity ratios.

In addition, during 2016 the Group participated in ECB's Short Term Exercise (STE) and submitted Additional Liquidity Monitoring Metrics (ALMM) reports on a monthly basis and updated the recovery plan and the LCR restoration plan review on a periodical basis to SSM.

9.2. Liquidity Risk Highlights for 2016

Following the adverse economic conditions of 2015 and the imposition of capital controls, Piraeus Group's deposits increased during 2016 by € 3 bn. As of July 2016, a gradual ease of the capital controls was effected by the government, particularly regarding the transfer of funds. At 31.12.2016 total deposits of Piraeus Group amounted to €42.4 bn (€39.4 bn at 2015).

During 2016, the Group's funding structure has improved, as the overall liquidity from central banks (ECB and ELA) recorded a decrease of € 11.78 bn, reaching the amount of € 20.9 bn (€ 32.68 bn at 2015). In particular, emergency liquidity mechanism (ELA) funding reached the amount of € 11.9 bn (€ 16.7 bn at 2015) and European Central Bank (ECB) funding reached the amount of € 9 bn (€ 15.98 bn at 2015). The central bank funding decrease was possible due to the aforementioned increase in deposits by € 3 bn, the increase of funding raised through interbank Repos at € 4.4 bn and the sale of € 3.7 bn EFSF bonds, part of the repurchase program of securities issued by European supranational euro-area agencies (PSPP). Finally, the long-term funding from ECB (TLTRO) increased by € 2.7 bn compared to the end of 2015, reaching the amount of € 4 bn, thus improving the Group's funding maturity profile.

Also, during 2016, there was a reduction in the cost of deposits.

10. Unencumbered Assets

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

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

From a total of unencumbered assets of €46,197 mn, an amount of €11,670 mn that includes reverse repo, goodwill, property, plant and equipment and liabilities from derivative financial instruments, cannot be used for refinancing under normal conditions.

Table 24: Encumbered and Unencumbered Assets
31 Dec. 2016 (€ 000's)

	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the reporting institution	**34,918,189**	-	**46,197,083**	-
Equity instruments	0	0	305,464	305,464
Debt securities	14,408,538	14,650,458	1,448,402	855,881
Other assets	20,509,651	-	44,443,217	-

As of December 31st 2016, the Group had no amounts to report under collateral received.

Table 25: Encumbered Assets/Collateral Received and Selected Financial Liabilities
31 Dec. 2016 (€ 000's)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**27,379,805**	**34,294,187**

11. Remuneration Policy

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

Based on the framework defined in BoG's Act 2650/19.01.2012, as well as later regulations of law 4261/2014 (concerning remuneration policy), article 450 of EU Regulation 575/2013 and EU Regulation 604/2014, the Remuneration Policy is in line with the Group's corporate strategy and supports a performance-driven culture that aligns the organization's goals with those of interested parties, employees, management and shareholders.

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

11.1. Basic Principles

The Remuneration Policy is based on the following principles:

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

11.2. Remuneration Committee

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

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

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

11.3. Other Involved Parties

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

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

The non-Executive Board Members could, if and when they deem it necessary, co-operate with external consultants for the preparation/review of the policy. It should be noted that during 2016, no external consultants participated in the preparation or review of the Bank's Remuneration Policy.

11.4. Remuneration Structure

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

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

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

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

11.5. Criteria for Cancellation / Refund of Variable Remuneration

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

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

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

11.6. Proportionality Principle

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

11.7. Remuneration Disclosures

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

Table 26: Aggregate Quantitative Information on Remuneration per Business Area
31 Dec. 2016 (€ 000's)

	Total Number of Staff per Area	Total Fixed Remuneration[1]	Total Variable Remuneration
Investment Banking	18	2,083	0.0
Retail Banking	115.5	10,121	3.3
Asset Management	12	379	0.0
Corporate Functions	61	5,939	0.0
Independent Control Functions	37	1,669	0.0
Other Functions	14	1,537	218.9

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

Table 27: Aggregate Quantitative Information on Remuneration of Staff Categories that have Material Impact on the Group's Risk Profile
31 Dec. 2016 (€ 000's)

	Board Members	Senior Management[1]	Categories of staff whose actions have a material impact on the Group's risk profile
Total number of staff per category:	**88**	**26**	**258**
Total fixed remuneration	**6,631**	**4,934**	**21,727**
Total variable remuneration, of which			
In cash			222
In shares or other equivalent			-
Share-linked instruments			-
Other			-
Total deferred variable remuneration split into			
Vested[2]:			-
Unvested[2]:			197
Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments			-
Number of staff receiving new sign-on payment within the year			-
Total amount of sign-on payments within the year			-

Table 27: Aggregate Quantitative Information on Remuneration of Staff Categories that have Material Impact on the Group's Risk Profile
31 Dec. 2016 (€ 000's)

	Board Members	Senior Management[1]	Categories of staff whose actions have a material impact on the Group's risk profile
Number of staff receiving severance payments within the year			-
Total amount of severance payments within the year			-
Highest amount of severance payments awarded to a single person within the year			-

(1) Senior Management is included in the categories of staff whose actions have a material impact on the Group's risk profile.

(2) Vested deferred variable remuneration and unvested deferred variable remuneration of current year are also included in total variable remuneration.

12. Appendices

12.1. Appendix I: Subsidiaries (Full Consolidation Method)

Name of Company	Activity	% Holding	Country
Tirana Bank I.B.C. S.A.	Banking activities	98.83%	Albania
Piraeus Bank Romania S.A.	Banking activities	100.00%	Romania
Piraeus Bank Beograd A.D.	Banking activities	100.00%	Serbia
Piraeus Bank Bulgaria A.D.	Banking activities	99.98%	Bulgaria
JSC Piraeus Bank ICB	Banking activities	99.99%	Ukraine
Piraeus Asset Management Europe S.A.	Mutual funds management	100.00%	Luxemburg
Piraeus Leasing Romania IFN S.A.	Finance leases	100.00%	Romania
Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and reinsurance brokerage	100.00%	Greece
Tirana Leasing Sh.A.	Finance leases	100.00%	Albania
Piraeus Securities S.A.	Stock exchange operations	100.00%	Greece
Piraeus Group Capital Ltd	Debt securities issue	100.00%	United Kingdom
Piraeus Group Finance P.L.C.	Debt securities issue	100.00%	United Kingdom
Piraeus Factoring S.A.	Corporate factoring	100.00%	Greece
Picar S.A.	City Link areas management	100.00%	Greece
Bulfina E.A.D	Property management	100.00%	Bulgaria
General Construction and Development Co. S.A.	Property development/ holding company	66.66%	Greece
Piraeus Direct Services S.A.	Call center services	100.00%	Greece
Komotini Real Estate Development S.A.	Property management	100.00%	Greece
Piraeus Real Estate S.A.	Construction company	100.00%	Greece
ND Development S.A.	Property management	100.00%	Greece
Property Horizon S.A.	Property management	100.00%	Greece
ETVA Industrial Parks S.A.	Development/ management of industrial areas	65.00%	Greece
Piraeus Development S.A.	Property management	100.00%	Greece
Piraeus Asset Management S.A.	Mutual funds management	100.00%	Greece
Piraeus Buildings S.A.	Property development	100.00%	Greece
Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	100.00%	United Kingdom
Euroinvestment & Finance Public Ltd	Asset management, real estate operations	90.85%	Cyprus
Lakkos Mikelli Real Estate Ltd	Property management	50.66%	Cyprus
Philoktimatiki Public Ltd	Land and property development	53.29%	Cyprus

Name of Company	Activity	% Holding	Country
Philoktimatiki Ergoliptiki Ltd	Construction company	53.29%	Cyprus
IMITHEA S.A.	Organization, operation and management of hospital units	100.00%	Greece
Piraeus Green Investments S.A.	Holding company	100.00%	Greece
New Up Dating Development Real Estate and Tourism S.A.	Property, tourism & development company	100.00%	Greece
Sunholdings Properties Company LTD	Land and property development	26.65%	Cyprus
Capital Investments & Finance S.A.	Investment company	100.00%	Liberia
Vitria Investments S.A.	Investment company	100.00%	Panama
Piraeus Insurance Brokerage EOOD	Insurance brokerage	99.98%	Bulgaria
Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands
Piraeus Real Estate Consultants S.R.L.	Construction company	100.00%	Romania
Piraeus Leases S.A.	Finance leases	100.00%	Greece
Multicollection S.A.	Assessment and collection of commercial debts	51.00%	Greece
Olympic Commercial & Tourist Enterprises S.A.	Operating leases- Rent-a-Car and long term rental of vehicles	94.00%	Greece
Piraeus Rent Doo Beograd	Operating Leases	100.00%	Serbia
Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	100.00%	United Kingdom
Piraeus Leasing Doo Beograd	Finance leases	100.00%	Serbia
Piraeus Real Estate Bulgaria EOOD	Construction company	100.00%	Bulgaria
Piraeus Real Estate Egypt LLC	Property management	100.00%	Egypt
Piraeus Insurance Agency S.A.	Insurance - agency	100.00%	Greece
Piraeus Capital Management S.A.	Venture capital fund	100.00%	Greece
Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom
Praxis I Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
Axia Finance III PLC	SPE for securitization of corporate loans	-	United Kingdom
Praxis II Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
Axia III APC LIMITED	SPE for securitization of corporate loans	-	United Kingdom
Praxis II APC LIMITED	SPE for securitization of consumer loans	-	United Kingdom
PROSPECT N.E.P.A.	Yachting management	100.00%	Greece
R.E Anodus Ltd	Consultancy services for real estate development and investments	100.00%	Cyprus
Pleiades Estate S.A.	Property management	100.00%	Greece
Solum Limited Liability Company	Property management	99.94%	Ukraine
O.F. Investments Ltd	Investment company	100.00%	Cyprus
DI.VI.PA.KA S.A.	Administrative and managerial body of the Kastoria industrial park	57.53%	Greece

Name of Company	Activity	% Holding	Country
Piraeus Equity Partners Ltd	Holding company	100.00%	Cyprus
Piraeus Equity Advisors Ltd	Investment advise	100.00%	Cyprus
Achaia Clauss Estate S.A.	Property management	75.27%	Greece
Piraeus Equity Investment Management Ltd	Investment management	100.00%	Cyprus
Piraeus FI Holding Ltd	Holding company	100.00%	Brit. Virgin Islands
Piraeus Master GP Holding Ltd	Investment advice	100.00%	Brit. Virgin Islands
Piraeus Clean Energy GP Ltd	General partner of Piraeus Clean Energy LP	100.00%	Cyprus
Piraeus Clean Energy LP	Renewable Energy Investment Fund	100.00%	United Kingdom
Piraeus Clean Energy Holdings Ltd	Holding Company	100.00%	Cyprus
Bulfinace E.A.D.	Property Management	100.00%	Bulgaria
Zibeno I Energy S.A.	Energy generation through renewable energy resources	83.00%	Greece
Kosmopolis A' Shopping Centers S.A.	Shopping Center’s Management	100.00%	Greece
Zibeno Investments Ltd	Holding Company	83.00%	Cyprus
Asset Management Bulgaria EOOD	Travel - rental services and property management	99.98%	Bulgaria
R.E. Anodus SRL	Real Estate Development	99.09%	Romania
Linklife Food & Entertainment Hall S.A.	Operation of Food and Entertainment Halls	100.00%	Greece
ATE Insurance Romania S.A.	Insurance	99.54%	Romania
Arigeo Energy Holdings Ltd	Holding Company in Renewable Energy	100.00%	Cyprus
Proiect Season Residence SRL	Real Estate Development	100.00%	Romania
Piraeus Jeremie Technology Catalyst Management S.A.	Management of Venture Capital Fund	100.00%	Greece
Geniki Financial & Consulting Services S.A.	Financial & Consulting Services	100.00%	Greece
Special Financial Solutions S.A.	Advising, consultancy, organizational and training services.	100.00%	Greece
Geniki Information S.A.	Assessment and collection of commercial debts	100.00%	Greece
KPM Energy S.A.	Energy generation and exploitation through renewable energy resources	80.00%	Greece
Solum Enterprise LLC	Property management	99.94%	Ukraine
Centre of Sustainable Entrepreneurship Excelixi S.A.	Consulting Services - Hotel - Training & Seminars	100.00%	Greece
General Business Management Investitii S.R.L.	Development of Building Projects	100.00%	Romania
Mille Fin S.A.	Vehicle Trading	100.00%	Greece
Special Business Services S.A.	Advising, consultancy, organizational and training services.	100.00%	Greece

Name of Company	Activity	% Holding	Country
Kion Mortgage Finance Plc	SPE for securitization of mortgage loans	-	United Kingdom
Kion Mortgage Finance No.3 Plc	SPE for securitization of mortgage loans	-	United Kingdom
Kion CLO Finance No.1 Plc	SPE for securitization of mortgage loans	-	United Kingdom
Re Anodus Two Ltd	Holding and Investment Company	99.09%	Cyprus
Beta Asset Management Eood	Rent and Management of Real Estate	99.98%	Bulgaria
Sinitem Llc	Sale and Purchase of Real Estate	99.94%	Ukraine
Tellurion Ltd	Holding Company	100.00%	Cyprus
Tellurion Two Ltd	Holding Company	99.09%	Cyprus
Entropia Ktimatiki S.A.	Property Management	66.70%	Greece
Akinita Ukraine LLC	Real Estate Development	99.09%	Ukraine
Daphne Real Estate Consultancy SRL	Real Estate Development	99.09%	Romania
Rhesus Development Projects SRL	Real Estate Development	99.09%	Romania
Varna Asset Management EOOD	Real Estate Development	99.98%	Bulgaria
Piraeus Real Estate Tirana Sh.P.K.	Real Estate Development	100.00%	Albania
Priam Business Consultancy SRL	Real Estate Development	99.18%	Romania
Marathon 1 Greenvale Rd LLC	Real Estate Development	99.95%	U.S.A.
Cielo Concultancy Sh.p.k.	Holding and Investment Company	99.09%	Albania
Edificio Enterprise Sh.p.k.	Holding and Investment Company	99.09%	Albania
Tierra Projects Sh.p.k.	Holding and Investment Company	99.09%	Albania
Piraeus ACT Services S.A.	Accounting and tax consulting	100.00%	Greece
A.C.T. B.A.S. S.A.	Counseling services for Payroll and Labour Affairs	100.00%	Greece
Trastor Real Estate Investment Company	Real Estate Investment Company	57.91%	Greece
Rembo S.A.	Real Estate Investment Company	57.91%	Greece
ETVA Fund Management S.A.	Management of venture capital mutual funds	65.00%	Greece
ETVA Development S.A.	Investment and development activities, in accordance with the principles of Sustainable Development	65.00%	Greece
Cyprus Leasing S.A.	Finance leases	100.00%	Greece
Alecsandri Estates SRL	Real Estate Development	74.32%	Romania
Gama asset management EOOD	Real Estate Development	99.98%	Bulgaria
Delta Asset Management EOOD	Real Estate Development	99.98%	Bulgaria
Besticar Limited	Holding Company	99.98%	Cyprus
Besticar Bulgaria EOOD	Collects receivables	99.98%	Bulgaria
Besticar EOOD	Collects receivables from problematic clients	99.98%	Bulgaria
Hellenic Fund for Sustainable Development	Close end Venture capital fund	65.00%	Greece

Name of Company	Activity	% Holding	Country
Trieris Two Real Estate LTD	Holding, Investment and Real Estate Portfolio Management	100.00%	Cyprus
Piraeus Renewable Investments Limited	Holding Company	100.00%	Cyprus
PRI WIND I Limited	Holding Company	100.00%	Cyprus
PRI WIND II Limited	Holding Company	100.00%	Cyprus
PRI WIND III Limited	Holding Company	100.00%	Cyprus
Euroterra S.A.	Real Estate Development	62.90%	Greece
Rebikat S.A.	Real Estate Development	61.92%	Greece
Abies S.A.	Real Estate Development	61.65%	Greece
Euroak S.A. Real Estate	Real Estate Investment	53.60%	Greece

12.2. Appendix II: Associates (Equity Method)

Name of Company	Activity	% Holding	Country
Crete Scient. & Tech. Park Manag. & Dev. Co. S.A.	Scientific and technology park management	30.45%	Greece
Evros' Development Company S.A.	European community programs management	30.00%	Greece
Project on Line S.A.	Information technology & software	40.00%	Greece
APE Commercial Property Real Estate Tourist and Development S.A.	Holding Company	27.80%	Greece
APE Fixed Assets Real Estate Tourist and Development S.A.	Real estate, development/ tourist services	27.80%	Greece
Trieris Real Estate Ltd	Property management	32.37%	British Virgin Islands
APE Investment Property S.A.	Real estate, development/ tourist services	27.20%	Greece
Sciens International Investments & Holding S.A.	Holding company	28.10%	Greece
Exodus S.A.	Information technology & software	49.90%	Greece
Piraeus - TANEO Capital Fund	Close end Venture capital fund	50.01%	Greece
Teiresias S.A.	Inter banking company. Development, operation and management of information systems	23.53%	Greece
PJ Tech Catalyst Fund	Close end Venture capital fund	30.00%	Greece
Pyrrichos S.A.	Property management	50.77%	Greece
Hellenic Seaways Maritime S.A.	Maritime transport - Coastal shipping	40.44%	Greece
Gaia S.A.	Software services	26.00%	Greece
Olganos Real Estate S.A.	Property management/Electricity Production from Hydropower Stations	32.27%	Greece
Exus Software Ltd.	IT products Retailer	49.90%	United Kingdom
Marfin Investment Group Holdings S.A.	Holding Company	31.42%	Greece
Litus Advisory S.A.	Consulting in the fields of European Programmes, Communication Strategy and International Affairs	50.00%	Belgium
Selonda Aquaculture S.A.	Fish Farming	32.43%	Greece
NIREUS Aquaculture S.A.	Fish Farming	32.51%	Greece

12.3. Appendix III: Joint Ventures (Equity Method)

Name of Company	Activity	% Holding	Country
A.E.P. ELAIONA S.A.	Property management	50.00%	Greece

12.4. Appendix IV: Own Funds

(€ 000's)	31/12/2016	AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	15,694,643	
Capital instruments subscribed by public authorities in emergency situations	2,040,000	
Own CET1 instruments	-842	
Retained earnings	-8,004,333	
Accumulated other comprehensive income (and any other reserves)	-65,845	
Funds for general banking risk		
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
Minority interests (amount allowed in consolidated CET1)	160,115	-151,445
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,823,738**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)		
Intangible assets (net of related tax liability) (negative amount)	-282,036	
Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-309,215	-339,541
Fair value reserves related to gains or losses on cash flow hedges		
Negative amounts resulting from the calculation of expected loss amounts		
Any increase in equity that results from securitised assets (negative amount)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-6,144	
Defined-benefit pension fund assets (negative amount)		
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant		

(€ 000's)	31/12/2016	AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
Other regulatory adjustments applied to Common Equity Tier 1	-104,334	
Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
Amount exceeding the 15% threshold (negative amount)		
Losses for the current financial year (negative amount)		
Foreseeable tax charges relating to CET1 items (negative amount)		
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-90,867	
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		
Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-792,597**	
Common Equity Tier 1 (CET1) capital	**9,031,142**	**0**
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts		
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		

(€ 000's)	31/12/2016	AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)		
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		
Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**9,031,142**	
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts		
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
Credit risk adjustments		
Tier 2 (T2) capital before regulatory adjustment		
Tier 2 (T2) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e.		

(€ 000's)	31/12/2016	AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
CRR residual amounts)		
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		
Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital		
Total capital (TC = T1 + T2)	**9,031,142**	

12.5. Appendix V: Leverage Ratio

CRR Leverage Ratio - Disclosure Template		(€ 000's)
	Reference date	Dec. 31, 2016
	Entity name	Piraeus Bank S.A.
	Level of application	Group
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable Amounts
1	Total assets as per published financial statements	81,500,534
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	5,340
5	Adjustments for securities financing transactions "SFTs"	153,354
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,652,035
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-2,224,766
8	**Total leverage ratio exposure**	**81,086,497**
Table LRCom: Leverage ratio common disclosure		
		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	80,060,880
2	(Asset amounts deducted in determining Tier 1 capital)	-691,744
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**79,369,136**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	364,167
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	86,818
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-599,024
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0

10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**-148,039**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	30,005
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	183,360
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**213,365**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	4,612,663
18	(Adjustments for conversion to credit equivalent amounts)	-2,960,629
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,652,035**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposures	
20	**Tier 1 capital**	**9,031,142**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**81,086,497**
	Leverage ratio	
22	**Leverage ratio**	**11.1%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		**CRR leverage ratio exposures**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**80,060,880**
EU-2	**Trading book exposures**	**193,861**
EU-3	**Banking book exposures, of which:**	**79,867,020**
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	23,135,137
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	162,128

EU-7	Institutions	1,676,353
EU-8	Secured by mortgages of immovable properties	17,348,664
EU-9	Retail exposures	3,694,321
EU-10	Corporate	8,260,972
EU-11	Exposures in default	18,355,204
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	7,234,241

12.6. Appendix VI: Capital Instruments' Main Features Template

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

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

	Capital instruments' main features	PB Athens S.A.
		consolidated basis or a solo basis, falls below 7% • 2 annual interest payments are missed (in whole or in part, which need not be consecutive) **Optional Conversion:** Optional to the holder on the 7th anniversary from the Issue Date
25	If convertible, fully or partially	**In case of Automatic Conversion:** Full Conversion **In case of Optional Conversion:** Full or Partial Conversion
26	If convertible, conversion rate	The number of common shares issued on conversion is determined as 116% of the nominal amount of the outstanding securities divided by the conversion price (which shall be equal to the offer price subject to market standard adjustments in the event of certain corporate actions)
27	If convertible, mandatory or optional conversion	**In case of Automatic Conversion:** Mandatory **In case of Optional Conversion:** Optional
28	If convertible, specify instrument type convertible into	Ordinary Shares of the Issuer
29	If convertible, specify issuer of instrument it converts into	Piraeus Bank S.A.
30	Write-down features	No
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common Equity Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

FTSE4 Good Emerging Index:

Piraeus Bank was included as a constituent in the "FTSE4Good Emerging Index" for corporate sustainability, launched by the FTSE Russel Group in December 2016. The stock market FTSE4Good index facilitates investments in emerging market listed companies which meet globally recognized Corporate Responsibility standards.

Corporate Responsibility Index (CRI):

For the 9th consecutive year, Piraeus Bank participated in the Corporate Responsibility Institute's annual assessment, receiving the Platinum distinction for its Corporate Responsibility for the 6th consecutive year.

The 2016 European Business Awards for the Environment:

With the nomination "The Expandability of a Robust Certified EMS - the Case of Piraeus Bank" the bank ranked first at national level in the category "Management" for the development, construction and operation of the Environmental Management System it implements. The Bank also competed at a European level in the same category, gaining a position among the top four leading organizations – among 180 candidates - to have achieved significant environmental results. The "European Business Awards for the Environment" is a highly prestigious institution which recognizes the European companies that implement policies for environmental protection, sustainable growth and a circular economy. According to the judging panel, Piraeus Bank's EMS constitutes a benchmark for green banking.