PIRAEUS BANK

PIRAEUS BANK GROUP

Capital Adequacy & Risk Management Regulatory Disclosures on a Consolidated Basis for the Year 2013 (Pillar III)

April 2014

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1. General Information

1.1 Introduction

Piraeus Bank S.A. (hereinafter "the Bank") is a banking institute operating in accordance with the provisions of Law 2190/1920 on societés anonymes, Law 3601/2007 on credit institutions, and other relevant laws. According to article 2 of its Statute, the scope of the company is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks.

Piraeus Bank (parent company) is incorporated and domiciled in Greece. The address of its registered office is 4 Amerikis str., Athens. Piraeus Bank and its subsidiaries (hereinafter "the Group") provide services in the Southeastern Europe, Egypt, as well as United Kingdom. In March 2013, Piraeus Bank acquired the Greek banking operations of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank. In June 2013, Piraeus Bank acquired Millennium Bank Greece, a subsidiary of BCP. These transactions comprise important steps towards the restructuring of the Greek banking system, in which Piraeus Bank has participated from the very beginning as a core pillar. Today Piraeus Bank has successfully completed the integration of all aforementioned acquired banking operations (including ex ATEbank) in its systems.

Piraeus Bank leads a group of companies covering all financial and banking activities in the Greek market, while it possesses particular know-how in the areas of medium-sized and small enterprises, in the agricultural sector, and in consumer and mortgage credit banking. In addition to traditional banking operations, the Group leads in electronic banking and green banking, foreseeing the dynamic growth potential of these sectors in the near future, while it takes initiatives to support sound business plans and the evolution of the Greek economy into a new model of sustainable development.

The main objectives of Piraeus Group's policy in the mid-term are to: safeguard liquidity, capital adequacy, asset quality and achieve high efficiency by containing operating costs, as well as to achieve a smooth integration of the banking activities recently acquired, resulting in significant synergies.

1.2 Piraeus Bank Group's Regulatory Framework (Basel II)

Piraeus Group implements the regulatory capital adequacy framework (Basel II) since January 2008, in accordance with the Greek Law 3601/2007 regarding the "Undertaking and execution of operations by the financial institutions, the adequacy of own funds of financial and investment institutions and other provisions."

The Group fully complies with the three Pillars of the Regulatory Framework and the corresponding Bank of Greece Governor's Acts, as described below:

- According to Pillar I, all regulatory reports, as defined by the Bank of Greece's Acts 2588/20.8.2007, 2590/20.8.2007, 2594/20.8.2007, 2630/29.10.2010, 2645/9.9.2011, 2646/9.9.2011, 2651/20.01.2012 and their consequent modifications 2631/29.10.2010, 2634/29.10.2010, 2661/3.7.2012, are submitted for the calculation of the minimum required capital charges. For capital adequacy purposes (Pillar I) the Group applies:

  - The Standardised Method for the calculation of the capital charges in credit risk exposures,
  - the Mark to Market Method for the calculation of the capital charges in counterparty credit risk exposures,
  - the Standardised Method for the calculation of the capital charges in market risk exposures and
  - the Standardised Method for the calculation of the capital charges in operational risk exposures.

In March 2013 significant developments occurred in the regulatory framework. According to the Act 13/28.03.2013 of the Executive Committee, starting from the first trimester of 2013, financial institutions must have a minimum 9% of Core Tier I Ratio on a Bank and Group basis. At the same time, they must have a minimum 6% of Core Tier I Ratio that can potentially lead to a lower level of Core Tier I Capital, as whether and to what extent the sum of the preference shares and the convertible bonds (if any) exceeds the items deducted from Core Tier I Capital is taken into account. In case the sum does exceed them, the excess amount is subtracted for the calculation of 6% Core Tier I Ratio.

Furthermore, on 23.12.2013 the Act 13/28.03.2013 of the Executive Committee was modified by the issuing of Act 32/23.12.2013 according to which Deferred Tax Assets should no longer be subtracted from Core Tier I Capital.

- According to Pillar II and the Bank of Greece Governor's Act 2595/20.8.2007 "Definition of the criteria applied to the Internal Capital Adequacy Assessment Process (ICAAP) of the financial institutions and to the Evaluation Procedure from the Bank of Greece", the adequacy of the Internal Capital through the Evaluation Procedure of the Internal Capital Adequacy is calculated.

- According to Pillar III and the Bank of Greece Governor's Act 2655/16.03.2012 "Technical criteria regarding transparency and disclosure of information required for regulatory supervision purposes by the financial institutions", the Group discloses information on regulatory requirements on a yearly and consolidated basis.

Developments in the regulatory framework

In December 2012 the Basel Committee on Banking Supervision issued new capital adequacy rules. On 26.06.2013, the European Parliament and the European Council, further to the European Commission's proposal on 20.07.2011, issued the Regulation 575/2013 and the Directive 2013/36/EU (CRD IV) regarding the prudential supervision of financial institutions and investment companies. Regulation 575/2013 is in force since 01.04.2012 without its adoption by the Greek legislature being necessary, while the Directive will be legislated into the Greek Law and will replace the Directives 2006/48/EU and 2006/49/EU.

The new framework introduces stricter supervision and more detailed disclosure requirements regarding the level and management of the Group's undertaken risks, while it determines new capital adequacy ratio calculation rules. These provisions are expected to come gradually in force until 2019. Among others, the new framework suggests the quality upgrade, consistency and transparency of the capital base. According to the amendments:

- A minimum Common Equity Tier I Ratio is defined, which will gradually reach 4,5% by 2015.
- Tier I Capital Ratio will gradually reach 6% by 2015.
- A Capital Conservation Buffer of 2,5% will be introduced by 2019 in addition to the existing minimum own capital. In case of any reduction of the capital conservation buffer, restrictions on dividends, capital elements and remuneration will be activated.
- The minimum ratios including the capital conservation buffer, which will be in force from 2019 are:
  - Common Equity Tier I Capital Ratio of 7% and
  - Total Capital Ratio of 10,5%
- The items deducted from own regulatory funds were reviewed.
- For the protection of the banking sector from excessive credit expansion, an additional capital buffer of category 1 common shares between 0% and 2,5% is required. This buffer will be imposed in time periods of excessive financial expansion depending on national economic conditions. The countercyclical buffer, when applied, will be introduced as an addition to the capital conservation buffer.
- There will be a transitional period for the existing public sector capital strengthening until 01.01.2018.
- Counterparty Credit Risk cover is enhanced. Capital requirements for Credit Valuation Adjustment (CVA) are introduced. CVA is defined as an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty, which 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.
- The leverage ratio is introduced. Financial institutions will submit reports for the leverage levels in a standardised way and on a quarterly basis from May 2014.
- Liquidity Coverage Ratios and Net Funding Ratios are introduced. The Liquidity Coverage Ratio is defined as the amount of unencumbered, high quality liquid assets that should be retained by the

banks in order to offset estimated net cash outflows during a 30 day stress scenario. The ratio will be gradually applied, starting from 60% in 2015 to 100% to 2018 and meanwhile, the liquidity requirement will be increased by 10% each year.

- Net Stable Funding Ratio is the amount of long-term, stable funding that a Bank is supposed to preserve.

From 2013 the Group is in the process of upgrading its infrastructures so as to have full compliance with the new regulatory framework. The submission of the regulatory reports according to CRD IV will take place on 30.05.2014 on a bank level and on 30.06.2014 on a Group level.

The subsidiary companies of the Group take part in the application of the new Directive by working on new standards and specifications for the preparation of data required for the calculation of the Group's capital requirements.

1.3 Compliance with the requirements of the Governor's Act 2655/16.3.2012

This report, referring to the Group's data for 31.12.2013, is available on the Bank's official website at: *http://www.piraeusbankgroup.com/el/investors/corporate-governance/risk-management/*

The information included in this report (Pillar III) intends to comply with the requirements set by the existing legislation and explain the calculation framework, the technical criteria and the juxtaposition of capital adequacy figures, according to the regulatory framework Basel II, as well as the depiction of the overall risk management framework of Piraeus Group. For this reason, the report does not constitute either a form of financial statement or an evaluation of the future financial situation or business expectation for Piraeus Group. However, any differentiations between capital adequacy figures and those presented in 31.12.2013 Consolidated Financial Statements are sufficiently reasoned.

Recognizing the rising complexity of contemporary financial transactions, as well as the need to inform investors more thoroughly of the risks that the Group undertakes and manages, the Group formed and adopted an internal **"Policy for the Compliance with the Bank of Greece Act 2655/16.3.2012"** aiming to:

- assure prompt disclosure and compliance with Pillar III requirements,
- provide an accurate view of the risk and capital management framework and policies and remuneration policy of the Bank and its subsidiaries,
- align with the technical criteria of the Bank of Greece Act 2655/16.03.2012,
- adopt best practices for regulatory disclosures.

The above-mentioned policy sets the principles embedded in the Pillar III regulatory disclosures, describes the roles and responsibilities of the business units and the Board that participate in the procedure for forming and validating the regulatory disclosures, reports the minimum information required, and defines the means and the frequency of the disclosures. The regulatory information and its sources are under regular audits from the Group's Internal Audit. This policy is an integral part of the Group's broader risk management framework.

Based on this policy, the Group publishes the report (Pillar III) via its website, on a yearly consolidated basis, along with end of year financial results. Additionally, the Group assesses the necessity to publish information more frequently, when it is considered essential, and in cases of significant financial developments or/and changes in the risk context and its capital adequacy.

1.4 Accounting and Regulatory Consolidation

Accounting Consolidation

The Accounting Consolidation of Piraeus Group is conducted in accordance with the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements consist of Piraeus Bank as well as its subsidiaries and Associate Companies. The subsidiaries are consolidated using the full consolidation method, while the associates are consolidated using the equity method.

- Subsidiaries: Companies directly controlled by the Bank or indirectly through other subsidiaries, holding more than 50% of the voting rights. Control also exists when the Bank owns half or less of the voting rights of a company and when the following are in force:
  i. the right of control is more than half of the voting rights, under an agreement with other investors,
  ii. the right to direct the financial and operating policies of the other company under a statutory or contractual term,
  iii. the right to appoint or remove the majority of the Board of Directors or any equivalent governing body that runs the company or
  iv. the right of influence of the majority of the members at the Board of Directors meetings or equivalent governing body that runs the company.

In order to determine whether the Group exercises control over a company, the potential voting rights, which are immediately exercisable or convertible, and their influence is also taken into consideration. The full consolidation method is used starting from the day when control is undertaken and until the day the Group does not exercise control over them.

- Associates: Companies over which the Group exercises significant influence in line with I.A.S. 28, but does not have control. In general, significant influence occurs when the Group holds between 20% and 50% of the voting rights. The existence and effect of potential voting rights that are immediately exercisable or convertible is taken into account in the evaluation process of the exercise of significant influence over the Group.

Regulatory Consolidation

The Group's Regulatory Consolidation for regulatory reporting to the Bank of Greece does not differ from the accounting consolidation, except for "ATE Insurance S.A.", which is consolidated fully for accounting purposes, while for regulatory purposes it is deducted from regulatory own funds.

- The proportional consolidation method is not used in any of the Group's companies, neither regulatory wise, nor accounting wise.
- The associate insurance company "European Reliance General Insurance SA" and the subsidiary insurance company "ATE Insurance S.A." are both subtracted from the Group's Own Funds.
- There are no other companies that are neither consolidated and nor deducted from Own Funds.

In Appendix I, a detailed list of the Group's subsidiaries and associate companies that are included in the accounting consolidation is presented, along with a concise description of their activity, their country of incorporation and the participation percentage.

Under the present conditions, there is no material, practical or legal impediment to the transfer of funds or to the repayment of liabilities by the parent company to the subsidiaries of the Group. Repayment of liabilities and subordinated loans granted by the Bank to subsidiaries abroad are subject to the legal provisions and supervisory regulations in power, as imposed by the local Authorities. The Supervisory Authorities' approval is a prerequisite in cases of early repayment of subordinated loans.

2. Own Funds

2.1 Structure of own funds

Regulatory capital, as defined by the Bank of Greece's Act 2630/29.10.2010 (as modified in the Bank of Greece's Acts 2661/3.7.2012 and Executive Committee's Acts 13/28.3.2013 και 36/23.12.2013), is comprised of: Tier I and Tier II Capital.

Tier I Capital includes:

- Core Tier I Capital:

- Shareholders' equity (common shares) and plus share premium,
- Reserves and the value adjustments of the balance sheet items,
- Retained profit or loss and minority interests,
- Greek State preference shares issued under the provisions of the Law 3723/2008, article 1, amounting to €750 mio..

Own shares are deducted from the above.

- Supplementary Tier I Capital, hybrid securities issued by the Bank or any of its subsidiaries.

Comprehensive information on hybrid capital:

In 31.12.2013 Hybrid Capital amounted to €18.5 mil, posing no incentive for acquisition. Hybrid securities owned by the Bank (or by associate/subsidiary companies) are not included in the supplementary items of Tier I Capital.

For the enhancement of the quality of Core Tier I Capital, on 31.05.2013 the Group announced a voluntary offer to the holders of existing hybrid securities (Tier I Securities) and subordinated fixed term securities (Lower Tier II Securities) for the buyback of securities amounting to €312 mio. in nominal value against cash. On the closing date (24.05.2013) €39.5 mio. were offered for Tier I Securities and €26.2 mio. for Lower Tier II Securities. The Bank decided to accept all of the securities offered, which led to the increase of Core Tier I Capital by €37 mio. (before taxes).

Deductions from Tier I Capital, as described in the Governor's Act 2630 are the following:

- intangible fixed assets
- goodwill

Tier II Capital includes subordinated loans with fixed-term cumulative dividend right.

Table 1: Regulatory Own Funds Structure (€ '000s)

Tier I Capital	31.12.2013
Shareholder's equity (common shares)	1,521,770
Shareholder's equity (preferential shares)	750,000
Share premium	10,008,734
Less: own shares	-113
Minority Interest	118,990
Available for sale reserve	112,423
Legal reserve and other reserves	-11,714
Retained earnings	-3,957,192
Less: intangible assets	-301,241
Total regulatory adjustments on Tier I capital	-50,259
Core Tier I Capital	**8,191,398**
Hybrid capital	18,500
Total I Capital	**8,209,898**
Subordinated debt	130,627
Total regulatory adjustments on Tier II capital	-48,175
Total Tier II Capital	**82,452**
Total Regulatory Capital	**8,292,350**

Elements deducted at 50% from Tier I and at 50% from Tier II as of 31.12.2013 are presented below:

Table 2 (€ '000s)

Elements Deducted from Own Funds	
of which:	
Deducted from Tier I Capital	48,175
Deducted from Tier II Capital	48,175

Financial developments and impact on capital structure

One of the Group's most main strategic objectives is ensuring a strong capital base. In the context of the recapitalisation of the Greek banks, the Group completed a share capital increase in the end of June 2013, amassing €8,429 mio. Of these:

€7,335 mio. were determined by the Bank of Greece as necessary for the recapitalisation of the Bank in the context of Loa 3864/2010 and Act 38 of the Ministers Council in order to raise the capital adequacy ratio to 9% (1,444 mio. sourced from private investors and the rest was offered in EFSF bonds from the Hellenic Financial

Stability Fund), while €1,094 mio. was to cover the Bank's capital needs after the acquisition of ATE bank' s assets and liabilities of €570 mio., as well as the acquisition of asset and liability elements of the Cypriot banks in Greece of €524 mio. in the context of article 63D of Law 3601/2007 and article 16C, paragraph 6 of Law 3864/2010, respectively. The Group's net position after the capital increase was €9,462 mio.

At an operational level, the most important corporate milestones for Piraeus Bank Group during 2013 were the following:

- On 26.03.2013, the Bank signed an agreement to take over all deposits, loans and branches in Greece of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their subsidiaries in Greece (leasing, factoring, IBG-Investment Bank of Greece). The agreement was compiled following an offer submitted by Piraeus Bank for the buying out of the branch network and the activities of the three Cypriot banks in Greece, in the context of a relevant invitation addressed to the Greek banks by the Greek Government, the Bank of Greece and the Hellenic Financial Stability Fund.

- On 18.04.2013, the Bank signed an agreement for the sale of its participation in ATEbank Romania S.A. (93,27%) for €10,3 mio. with the transfer of most assets and liabilities to Piraeus Bank Romania S.A.

- On 13.05.2013 the Group, aiming to further improve its Core Tier I Capital, announced a voluntary offer to the holders of hybrid securities (Tier I Securities) and subordinated fixed term securities (Lower Tier II Securities) which resulted in the increase of Core Tier I Capital by €37 mio. (before taxes).

- On 19.06.2013 the acquisition of Millennium BCP (BCP) participation in its subsidiary in Greece (Millennium Bank S.A.) was announced following all required approvals. Before the completion of the acquisition, BCP recapitalised Millennium Bank S.A. with €413 mio. In addition, BCP invested €400 mio. in June 2013 share capital increase of Piraeus Bank via private placement.

- Finally, the stress test implemented by the Bank of Greece, based on the expected credit risk losses determined by BlackRock Solutions, proved the Bank's strong position in the Greek banking system. On 03.03.2014 the Group's Management decided to convene an extraordinary general meeting on 28.03.2014, where a €1,750 mio. share capital increase was approved intending to return €750 mio. Greek State preference shares and thus, enhancing the regulatory capital quality, and to cover €425 mio. in capital needs as determined by the Bank of Greece, taking into account the expected losses for the life time of the loan portfolio, as well as to further strengthen the capital base of the Bank. In addition, on 18.03.2014 a three year senior bond of €500 mio. was issued and offered to the international markets for medium-term liquidity purposes. The bond has a fixed rate with an annual coupon of 5%. The offer was overbooked six times, gathering more than €3 bio. worth of offers.

2.2 Capital Adequacy

2.2.1 Capital Requirements – Standardised Approach

The Bank of Greece requires from each Financial Institution a minimum level of regulatory capital according to the level of the undertaken risks.

The Capital Adequacy Ratio, according to the Standardised Approach, is defined as the ratio of Regulatory Capital over Risk Weighted on and off balance sheet Assets. Based on the new legislative and regulatory framework, total capital adequacy ratio should be at least 8%. Act 13/28.03.2013 established two additional minimum ratios (6% and 9%) for Core Tier I Capital for all financial institutions.

Recognising the importance of maintaining the strong capital base of the Piraeus Bank Group, capital adequacy is monitored at regular intervals by the responsible bodies of the Bank and is submitted quarterly to the supervisory authority, the Bank of Greece.

The main objectives of the Group regarding the management of capital adequacy are summarized below:

- Comply with regulatory requirements against undertaken risks according to the regulatory framework.
- Sustain Piraeus Group's ability to continue its activities unhindered.
- Retain a sound capital base to support the Group's business plan.
- Support and develop infrastructure, policies, procedures and methodologies in order to sufficiently respond to needs related to regulation and compliance in Greece and abroad.

The Group's capital adequacy ratios and capital charges for credit, market and operational risk as of 31.12.2013 are presented below:

Table 3: Capital Requirements for Credit, Market and Operational Risk 31.12.2013[1] (€ '000s)

Total Capital Charges	4,722,856
Credit Risk Capital Charges	**4,429,944**
Central Governments/Central Banks	45,439
Regional Governments, Local Authorities and Public Sector Entities	4,351
Administrative bodies and non-profit organizations	5,121
Financial Institutions	18,928
Multilateral Development Banks	0
International Organisations	0
Corporate exposures	1,360,890
Retail exposures	469,640
Exposures covered with real estate	516,631
Covered Bond	0
UCITS	1,889
Short-term exposures	0
High Risk exposures	287,577
Stocks and Participations	391,514
Past Due exposures[2]	1,327,963
Market Risk Capital Charges	**60,736**
Positions Risk	8,920
Counterparty and Settlement Risk	17,835
FX Risk	33,982
Operational Risk Capital Charges	**232,176**

Table 4: Group Capital Adequacy Ratios as of 31.12.2013

Δείκτες Κεφαλαιακής Επάρκειας Ομίλου Τράπεζας Πειραιώς 31.12.2013	
Core Tier I Capital Adequacy Ratio (minimum 6%)	13,1%
Core Tier I Capital Adequacy Ratio (minimum 9%)	13,9%
Tier I Capital Adequacy Ratio	13,9%
Total Capital Adequacy Ratio	14,0%

[1] The terms and definitions of exposure and capital differ between IFRS and the regulatory, capital adequacy framework.
[2] Past Due claims based on IFRS differ from past due exposures based on the Bank of Greece Governor's Act 2588/20.8.2007.

2.2.2 Internal Capital Adequacy Assessment Process

Piraeus Group is conducting an Internal Capital Adequacy Assessment Process (ICAAP). This procedure involves the identification and assessment of the Group's undertaken and potential risks in order to determine the level of capital requirements regarding the Group's risk profile. The existence of sufficient financial resources (capital) against essential undertaken risks, as seen below, is thus ensured.

- Credit Risk
- Concentration Risk
- Country Risk
- Market Risk
- Interest rate Risk
- Equity Risk
- Foreign Exchange Risk
- Commodities Risk
- Operational Risk (including Legal and Compliance Risk)
- Liquidity Risk
- Settlement Risk
- Reputation Risk

The assessment of the significance of risk is an integral element for the Group's ICAAP and it is applied at a consolidated and company level in order to effectively manage and mitigate risks. After its completion, the report is submitted to the Risk Management Committee and to the Board of Directors for approval and validation.

The approach for the economic capital estimation includes two main components: (a) the capital charges (credit, market, operational risk), calculated for Pillar I purposes, are re-calculated using internal models and (b) the capital charges arising from the most important risks, not covered by Pillar I or treated sufficiently, are calculated using stress test scenarios. ICAAP is applied to all companies considered as significant. The appraisal of the companies is being processed through a series of criteria, taking into account the company's contribution to the Group's total risk.

For the internal capital requirements' calculation, the existing capabilities for risk measurement in the form of capital requirements are taken into consideration, as well as the assessment of the risk management framework at Group level for every risk and for all Group subsidiaries depending on the level of importance. The adequacy and effectiveness of the risk management framework directly affects capital requirements via for example, the adoption of more conservative estimations, where further improvement is required.

The Group aims to continuously improve the management of material risks and not only to retain sufficient capital. Optimization actions are realized on a regular basis, where necessary, according to the Group's risk management strategic planning.

The assessment of undertaken risks and consequently the internal capital requirements do not only refer to ongoing operations, but also to the Group's future activities. Thus, scenarios and analyses are performed, including **stress testing**. The scenarios cover both expected and unfavourable conditions in the economy and behaviour of risk parameters. In general, the Management determines the size and type of risks that the Group wishes to undertake, taking into consideration its risk strategy as defined by the Board of Directors.

Piraeus Bank is one of the 128 European banks taking part in the ongoing risk assessment process, asset quality review and stress testing, organized by the European Central Bank in collaboration with European and local authorities in the context of the establishment of Single Supervisory Mechanism (SSM) by the European Union.

The assessment, which was initiated in November 2013, will be completed in 12 months and is being performed in cooperation with the national Regulators of EU members, that participate in the SSM and with independent third parties at all levels in the European Central Bank and national authorities in charge.

Piraeus Bank Management asserts that the strong capital base (EBA Core Tier I ratio 13,9% in 31.12.2013) combined with the announced share capital increase of €1.750 mio. will safeguard the Bank's position in view of the forthcoming stress test scenario which will be implemented by the European Central Bank in 2014.

Credit Risk

Stress testing exercises constitute an integral part of the Group's credit risk measurement and quantification, providing estimates of the size of financial losses that could occur under extreme financial / market conditions. Piraeus Bank Group systematically runs credit risk stress testing exercises in accordance with the instructions issued by the Bank of Greece (Governor of the Bank of Greece's Act 2577/ 9.3.2006), the results of which are presented to and evaluated by the Risk Management Committee.

Stress tests exercises are performed by the Group Risk Management. The methodology uses as a basis internally developed scenarios and models adapted to the particular risk characteristics of the Group, and external source of information such as the Bank of Greece, the European Banking Authority (EBA) and the International Monetary Fund (IMF). Additionally, credit risk stress-testing scenarios are developed for each country where the Group has presence, according to directions provided by local supervisory authorities. These scenarios are reviewed by Credit Risk Division. Within this stress testing framework, loans and claims of the Group to borrowers located in Greece and abroad are examined, as well as bond market credit exposures.

Market Risk

Piraeus Bank Group applies a number of methodologies to assess the impact of market stress events. Specifically, the Group has created a series of stress scenarios on the level and volatility of stock market indices, interest rates, foreign exchange rates and commodities, as well as on the level of credit spreads of sovereign and corporate issues.

In each case the risk factor scenario chosen (interest rates, foreign exchange rates, stock prices, credit spreads) has an adverse impact on the value of the current position of the Bank. The criterion for the choice of different scenario assumptions is the portfolio exposure to the various risk factors. The risk factors and the level of change of each risk factor correspond to the composition of the portfolio. Different scenarios are chosen, according to the composition of the portfolio and market conditions, and each scenario is a combination of assumptions.

The approach for the estimation of the impact of stress events is consistent with the methods used for the calculation of internal capital for market risk. Finally, the approach takes into account the portfolio categorization according to International Financial Reporting Standards (Held at Fair value, Available for sale etc) as this has an impact on the way the activity's profit and loss impacts bank capital calculation.

Operational Risk

The approach employed for the estimation of internal capital for operational risk has been developed in order to utilize the main elements of the Group Operational Risk Management Framework and has adopted well-established quantification techniques and methodologies geared to the Advanced Measurement Approaches. In summary:

- The required internal capital is estimated as Value at Risk (VaR) through simulation and combination use of loss distributions derived from internal actual loss data, Risk and Control Self Assessment (RCSA) data and operational risk extreme scenario analysis data.
- Additionally, the Group holds several insurance policies of significant size providing coverage against losses in all loss type categories. The mitigating impact of insurance coverage is recognized in the final calculations of required internal capital.

3. Risk Management Framework

Risk Management operates under the strategies, policies, procedures, organizational structures and technological infrastructure that the Group has to develop in order to identify, assess, monitor and supervise its exposure to risks emerging from its activities on an ongoing basis. The Management, aiming at maintaining the stability and continuity of its operations, places high priority on the goal of implementing and continuously improving an effective risk management framework to minimize potential negative effects on the Group's financial results and capital position.

The Board of Directors has full responsibility for the development and supervision of the financial risk management policy on a yearly basis, following the approval of the Risk Management Committee, in order to ensure that it keeps up with the business strategy, capital planning, funding plan, restructuring plan and budgeting, according to the guidelines provided by the Risk Management Committee. The Board of Directors receives comprehensive reports regarding all the significant risks that affect the risk profile according to the goals and the risk appetite of the Group, at least on a quarterly basis.

The following organisational units participate in the process of planning, monitoring and managing risk, as well as evaluating the adequacy of own funds in reference to the scale and type of undertaken risks:

- The Risk Management Committee (RMC), which is has been assigned by the Board of Directors with responsibilities related to risk management - in accordance with the instructions issued by the Bank of Greece (Bank of Greece's Act 2577/2006) - in order to effectively manage all types of risks arising from the Bank's activities, to ensure a consistent and uniform assessment, a specialized treatment and the required coordination on a Bank and Group level. The RMC holds meetings regularly and reports to the Board of Directors on its activities. The RMC is responsible for the Group's well-defined risk management strategy and risk appetite, as well as for thoroughly communicating the Group's risk appetite to all units – risk appetite is used as a benchmark for the definition of policies and limits on a Group level, on a business level and on a geographical area level. It is noted that during 2013 the Risk Management Committee held ten (10) meetings.

- Group Risk Management is an independent unit in relation to other units with executive responsibilities and performs the operations of Risk Management Divisions according to Bank of Greece' s Act 2577/9.3.2006 and the operations of Credit Risk Control Division according to Bank of Greece's Act 2589/20.8.2007 and 2594/20.8.2007, respectively. Group Risk Management is supervised by Group Chief Risk Officer, who reports to the Management and Risk Management Committee, and through the Committee, to the Board of Directors. For the efficient implementation of the Division's responsibilities, its executives have access to all operations within the Bank and to all essential data and information related to the Bank and the Group's companies. The person in charge is determined

by the Management Committee after the suggestion of the Risk Management Committee, while his/her placement or possible replacement is communicated to the Bank of Greece.

Group Risk Management is responsible for the planning, the specialization and the implementation of risk management and capital adequacy policy, according to the Board's guidelines, concerning all types of risks arising from the Bank's activities. The Group's activities are supervised by Group Internal Audit, which evaluates the effectiveness and efficiency of the applied risk management procedures. The Division is composed of the following units:

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

Since 2013 Corporate Credit Control, in line with the continuous development of the infrastructure, systems and methodologies aiming at reliable credit risk measurement, monitoring and evaluation:

- regularly implements independent evaluations on the quality of the approved credit exposures (post-approval) and of the credit risk monitoring practices applied to the Group's business portfolio,
- identifies the most important findings, plans and informs on recommended practices and procedures for the timely and effective treatment of high (in quantity and quality) credit risk exposures.

Group Risk Coordination was established at the end of 2013, with main responsibilities the coordination and harmonization of risk management functions of the Group's subsidiaries, in Greece and abroad. Among its responsibilities are the development and supervision of the above framework as well as the risk profile monitoring.

- The Asset-Liability Committee (ALCO) which is responsible for the implementation of the strategic progression of asset and liability items, depending on qualitative and quantitative data and business developments, in order to maintain high competitiveness and efficiency and at the same time to keep the undertaken business risks within the predefined limits.

The principles and risk management policies have been developed in order to timely identify and analyze all types of risks the Group is exposed to, to establish appropriate limits and control systems, and finally, to systematically monitor and comply with the approved credit limits.

Group Compliance Policy complies with the requirements set by the existing legislation and regulatory framework. The Board of Directors approves and is responsible for the Group's compliance with the existing legislation, internal rules and corporate governance principles. The Group has established proper policies and

procedures which ensure that the risk of suffering financial losses, legal or regulatory sanctions, or reputational damage due to inadequate or non-existing compliance, is efficiently managed.

The Group annually re-examines the adequacy and effectiveness of the risk management framework in order to ensure that it keeps up with the market dynamics, changes in the banking products offered and international best practices. Furthermore, it systematically monitors the material risks resulting from its activities: credit risk, market risk, liquidity risk, and operational risk.

3.1 Credit Risk

3.1.1 Credit Risk Management Framework

The Group's banking activity and its profits are closely related to the undertaken credit risk. Credit risk is the risk of financial loss for the Group that results when the counterparties are in no position to fulfill their contractual/ transactional obligations. Credit risk is considered the most important source of risk and for this reason, its efficient monitoring and management constitutes a top priority for the Management. The Group's overall exposure to credit risk mainly results from approved credit limits and financing of corporate and retail lending portfolio, from the Group's investment and transaction activities, trading activities in the derivative markets, as well as from placements in debt instruments and the settlement of transactions. The level of risk associated with any credit exposure depends on various factors, including the prevailing economic and market conditions, the debtors' financial condition, the amount, type and duration of the exposure, as well as the presence of any collateral/security.

The principles of credit risk management are set out in the consolidated Credit Policy, which 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.

3.1.2 Credit Risk Measurement and Reporting System

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

3.1.2.1 Credit Risk Measurement of Loans and Advances

For credit risk measurement purposes involved in the Group's loans and advances at the counterparty level, three credit risk measurement parameters, which are incorporated into the Group's day to day operations, are used:

- the customer's creditworthiness and the probability of defaulting on their contractual obligations is systematically assessed,
- the Group's exposure to credit risk is monitored and
- in the event of the debtor defaulting on its obligations, the Group's potential recovery rate is estimated, based on existing collateral and security - guarantees provided.

(i) Systematic evaluation of the customers' creditworthiness and assessment of the probability of defaulting on their contractual obligations

The Group assesses the creditworthiness of its borrowers and estimates the probability of defaulting on their obligations by applying credit rating models appropriate for their special characteristics and features. These models have been developed internally and combine financial and statistical analysis together with the expert advice of responsible officers. Whenever possible, these models are tested by benchmarking them against externally available information.

According to the Group's policy, each borrower is rated when their credit limit is initially determined and thereafter, they are systematically re-rated on at least an annual basis. The ratings are also updated in cases when there is updated available information that may have a significant impact on the level of credit risk. The Group regularly tests the predictive capability of the creditworthiness evaluation and rating models used both for Corporate and Retail Credit, thus ensuring its potential of accurately depicting any credit risk and allowing for the timely implementation of measures addressing potential problems.

(ia) Corporate Credit

All Corporate Credit 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.

Each rank of the credit rating scale corresponds to a specific policy of the bank as far as the relationship with the business borrowers is concerned and is presented in the relevant chapter of the Credit Policy and Practice Manual. The rating scale for business borrowers consists of 23 rating grades from which 19 grades correspond to borrowers that have not defaulted on their contractual obligations, 1 grade corresponds to high risk non defaulted borrowers (special mention), 1 grade to distressed restructured business borrowers and 2 grades correspond to borrowers that have defaulted on their contractual obligations to the bank.

The following table (5) presents the bank's policy mapped to each rating scale:

RATING	CREDIT WORTHINESS	POLICY
1	Excellent	Develop relationship
2		
3		
4		
5	Very Strong	Develop relationship
6		
7		
8	Strong	Develop relationship
9		
10		
11	Good	Develop relationship in accordance to business growth
12		
13	Satisfactory	Develop relationship taking collateral /security or Maintain relationship
14	Adequate	Carefully develop relationship taking adequate collateral /security Or Maintain relationship taking adequate collateral/ security
15	Marginal	Develop relationship taking strong collateral /security Or Maintain relationship taking adequate collateral/ security Or Limit relationship
16	Weak	Maintain relationship taking strong collateral /security Or Limit relationship
17	Very Weak	Probable classification/downgrading Or Reduce relationship taking strong collateral/security Or Terminate relationship
18	Poor	Probable classification/downgrading Or Terminate relationship

RATING	CREDIT WORTHINESS	POLICY
19	Very Poor	Probable classification/downgrading Or Terminate relationship
20	Special Mention	Probable restructuring of debt. Obtain additional strong collateral/security. Or Terminate relationship, Sytematic monitoring of developments
21	Distressed Restructuring	Systematic monitoring for compliance with the terms of the restructured debt obligation, including servicing
22	Substandard	Collection or restructuring of debt obligation with use of business or judicial actions. Systematic monitoring of developments
23	Doubtful/Loss	Collection of receivables mainly through judicial actions. Systematic monitoring of developments

The bank uses four (4) distinct credit rating models according to the type of operations and the size of the enterprise. More specifically:

1. Corporate customers that keep "C" category accounting books and have a turnover > €2.5 million are rated using the MRA Corporate model.
2. Corporate customers that keep "C" category accounting books and have a turnover up to €2.5 million are rated using the MRA SME model.
3. Corporate customers that belong to special categories (e.g. newly established businesses with inadequate financials, syndicated loans, insurance companies, natural persons, not sole proprietors not included in the consumer credit portfolio) are rated using the expert judgment model "Manual Rating".

   In accordance to the mandates of the new banking supervisory framework (Basel II), a separate credit rating model has been developed (based on slotting criteria) and is applied for specialized lending, which concerns the shipping portfolio (object finance). During 2013 this model has been optimized and aligned with the special lending criteria of Basel's Internal Rating Based Model.
4. For rating small to medium-sized enterprises, an internally developed rating model is applied (B model).

More specifically, since 2005 the Moody's Risk Advisor borrower credit rating system for large and medium-sized enterprises is also applied to Piraeus Bank Group's subsidiaries in Greece. During 2006 it was also launched to all foreign subsidiary banks of the Group.

As part of efforts to continuously improve its credit rating systems, the Group has optimised the existing Moody's Risk Advisor (MRA) borrower credit rating model for all Bank corporate customers that keep "C" category accounting books and have a turnover > €2,5 mio., and has introduced a new credit rating model for all Bank corporate customers having "C" category accounting books and turnover <= €2,5 mio. From April 2012, both models are available through the new web-based platform that is more easily accessible and manageable.

The basic key components of the MRA borrower rating are the following for both models: a) the financial assessment segment (through which the company's operations, liquidity, debt coverage and capital structure are being evaluated through the use of financial indicators) and b) the business analysis segment (that evaluates the company standing, management quality and industry risk). More specifically, all financial indicators are thoroughly reviewed and examined in many ways, such as: absolute figures, trend and volatility wise and in relation to their peers. Additionally, the models provide the opportunity for performing extra controls through the use of "Alerts" that appear once the system traces inconsistencies between the financial data inputs and the selected quantitative attributes.

The financial indicators, the weights and the subjective questions that have been selected and incorporated in the two new MRA Models, are considered to be the most appropriate for the specific customer categories of the Banks' business portfolio and have led to increasing levels of predictive capability for the undertaken credit risk. Note that for the above two models, validation exercises are conducted on a semi-annual basis by the responsible Group Credit Risk.

Finally, the internally developed rating model for small to medium-sized enterprises (B Model) is under optimization, since its discriminatory power was considered inadequate. The proposed process includes the combination of the existing internally developed rating system and models for the evaluation of customers' transactional behaviour (behaviour scoring) already implemented in the underwriting process. The development of these new models for new and existing small business borrowers, once completed, is expected to enhance the existing procedure with additional quantitative and transactional elements.

(ib) Retail Credit

As far as retail credit is concerned, the Group, focusing on the application of modern credit risk measurement methods, evaluates applicants using application scoring models, while it has implemented models for the evaluation of existing customers' transactional behaviour (behaviour scoring) for each product but also at the borrower level (behaviour models have already been implemented at the Bank level).

Additionally, during the approval process, Credit Bureau Scoring Models are used (Tiressias Scoring Models). These models take into account the exposures of the applicants in the Greek Market. The usage of Bureau Scoring Models improves the efficiency of the existing application and behaviour scoring models. All the models that are used by the Bank are validated every six months (at minimum).

The results of the internal scoring models constitute the main source of information that feed the Basel II Models (Probability of Default Models, PD – Loss Given Default Models, LGD) that are used in the Retail Portfolio of Piraeus Bank. Basel II models are examined in detail every six months (at minimum) in order to ensure:

- The Stability of the Population Rating between the Development and the Recent Period,
- Whether the changes in the PD / LGD parameters are statistically significant,
- Whether the models retain their discrimination power.

Hence, possible problems in the application of the models are detected as soon as they occur. As a result, corrective measures are taken.

The retail portfolio of the new acquired banks has been incorporated in the credit assessment models applied by the Group. Within 2014 it is expected that the models operate as effective as before.

(ii) Monitoring credit risk exposure

The Group monitors the credit risk exposure of its loans and advances to customers, based on their nominal amount.

(iii) Recovery based on existing collateral, security and guarantees

Along with the rating of the counterparties' creditworthiness, the Group estimates during the setting/review of credit limits, 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 and quality of any collateral / security. According to standard practice, the lower the credit rating of a borrower, the greater the collateral/security required, so that the recovery rate is as high as possible in case the borrower defaults.

3.1.2.2 Credit Risk against securities and other bills

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

3.1.2.3 Credit Risk Limits

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

In order to set customer limits, the Group takes into consideration any collateral or security which reduces 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 potential liquidation. The maximum credit limits that may be approved per risk class are determined by the Board of Directors. In Piraeus Bank 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, if the criteria that are set under 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 of the Group are set with an effective duration of up to twelve months and they are subject to annual or more frequent review. The responsible approval authorities may, in special circumstances, set a shorter duration than twelve months. The outstanding balances along with their corresponding limits are monitored on a daily basis, and any limit excesses are timely reported and dealt with accordingly.

3.2 Market Risk

3.2.1 Market Risk Management Framework

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 Operational and Market Risk Management and the responsible units at subsidiary's 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 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 2013 the Group's position in Greek T-bills was reduced by about 2,5 billion Euro, while most of the financial institution bonds that had been obtained during the Group's purchase of ATEbank's assets and liabilities, were sold. Also, the position in the Available for Sale portfolio of European core countries' sovereign bonds was significantly reduced. In addition, the EFSF Bonds' positions undertaken in the context of the bank's recapitalization and ATEbank's acquisition of assets and liabilities are not commensurate with the Group's risk appetite. It is worth noting that the Group does not hold highly structured or other high risk transactions.

3.2.1.1 Market Risk Measurement

The Value-at-Risk 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, assuming a one-day holding period and utilizing a 99% confidence level. Value-at-Risk is measured for the positions in the trading book as well as the available for sale portfolio (paragraph 8.3).

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. 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 over or under estimated. 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 when 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 such as when the loss in the value of portfolio is greater that the VaR estimate, the VaR model is considered inadequate. During 2013 there was only one back-testing exception for the trading book. One exception demonstrates that the VaR model performs adequately, as two to three exceptions are expected for a 99% confidence level and one day holding period. 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.

3.2.1.2 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" measure, which expresses the impact on projected earnings over a specified period, caused by a change in interest rates across all maturities and currencies.

3.3 Liquidity Risk

3.3.1 Liquidity Risk Management Framework

Liquidity risk management is associated with Piraeus 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.

The Group considers liquidity risk management as a key priority. Due to the adverse liquidity conditions that prevailed in the Greek economy, functions related to the close monitoring of the Bank's liquidity position,

regular flow of relevant information to senior management and evaluation of measures to sustain adequate liquidity were enhanced further during 2013.

In addition, subsidiary liquidity needs were successfully met, even as local regulatory liquidity requirements strengthened, specifically in countries where the Group is active.

Piraeus Bank also participated in the provisions of the law for the enhancement of liquidity in the economy (3723/2008). Specifically, liquidity has been drawn through the issuance of preference shares (Pillar I), guarantees given under the Pillar II and Special purpose Greek Government Bonds (Pillar III) schemes amounting to a notional of €12,2 bio. on 31.12.2013.

During 2013, Piraeus Bank minimized the use of ELA as well as its total funding through the Eurosystem. In addition, Interbank Funding increased significantly through Repo transactions. Finally, at June 2013 Piraeus bank successfully carried through Equity Capital Increase.

Following the acquisition of the Cypriot Banks network (Cyprus Bank, CPB, Hellenic Bank), Piraeus Bank improved significantly its funding composition, as it enhanced and diversified its deposits' base. Finally, because of the above acquisitions Piraeus Bank draw additional liquidity through EFSF Bonds, under banking system recapitalization framework.

Important areas under constant monitoring are the following (indicatively):

- evolution of the funding composition,
- evolution of Liquidity Buffer,
- evolution and concentration of deposits,
- intra-day change of deposit balances per customer, product and branch,
- evolution of maturity mismatches,
- loans to deposits ratio,
- cost of deposits,
- loan disbursements.

In addition, during 2013 risk management division focused on implementing Basel III Liquidity framework monitoring Basel III liquidity ratios as well as integrating and monitoring the data of the newly acquired banks. As of June 2013 Capital Requirement Regulation came in force under reference number 575/2013. Following the above regulation Group Risk Management is implementing Basel III project aiming at the regular measurement of Basel III liquidity ratios in a group and solo basis as well implementing and monitoring the limits set by the regulator.

3.3.1.1 Evolution of Liquid Assets

Special attention is paid to the monitoring of Liquid Assets and other balance sheet Assets that can be used to draw additional funding. Specific items that are monitored systematically are the following:

- The value of Bonds and other instruments (after appropriate haircuts) that are available for Central Bank or interbank financing
- Availability of non traded assets (loans) that may be used for Central Bank funding

3.3.1.2 *Group Liquidity Management Framework*

Since the end of 2003, 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. This policy outlines the principal liquidity risk assessment definitions and methods, defines the roles and responsibilities of the units and staff involved and sets out the guidelines to manage liquidity crisis. The policy is focused on the liquidity needs expected to emerge, in a week's or month's time, on the basis of hypothetical liquidity crisis scenarios.

Furthermore, the policy includes a Liquidity Crisis Management Plan, which is applied in the event of a crisis due to either a specific event associated with the Group's activities, or the general market conditions. There are activation conditions and increased readiness indicators that trigger the activation of the Liquidity Crisis Management Plan.

At the same time, liquidity ratios are measured daily, taking into account all balance-sheet items, according to the Liquidity Risk Management Policy and the Bank of Greece supervisory framework for liquidity.

3.3.1.3 *Liquidity Stress Testing*

Additionally, stress testing scenarios are performed on a regular and ad hoc basis, so as to calculate the impact of potential extreme market conditions on the Group's liquidity position. The scenarios applied are based on potential adverse effects including deposits withdrawal, devaluation of liquid assets (e.g. debt securities and equities).

3.4 Operational Risk

3.4.1 Operational Risk Management Framework

Piraeus Bank Group acknowledges its exposure to operational risk, which stems from its daily operations and the implementation of both business and strategic goals. For this purpose an adequate operational risk management framework has been established, which has been approved by the Bank's Risk Management Committee.

The aforementioned framework covers the identification, assessment, quantification, monitoring and mitigation of operational risk. The continuous development of the framework ensures the timely and effective support of the business functions of the Group and the fulfillment of the regulatory requirements.

The operational risk management framework is based on the following principles:

- Operational risk is assumed and managed locally, at a Unit level, as close as possible to the source of the risk. The implementation of the framework at group level is supervised and coordinated centrally by the Operational Risk Management.
- The Group Operational Risk Assessment Team (GORAT) assesses and validates the results produced from the implementation of the operational risk management framework across all Units, meanwhile monitors systematically and promotes the implementation of corrective actions for the improvement of the Internal Control System.
- The operational risk management framework is documented through methodologies and procedures and its scope extends to all business activities and support functions of the Bank and the subsidiaries. Operational Risk Management is responsible for the development and enhancement of the framework.
- The framework covers the systematic monitoring of relevant data including the collection of loss data.
- The framework is periodically reviewed and updated depending on the overall level of exposure and the risk appetite.

The Group, through the development and implementation of the operational risk management framework across its activities, aims to achieve business and strategic objectives, including:

- Improvement of the operations and the Internal Control System.
- Minimization of financial losses caused by operational risk incidents.
- Enhancement of human resources efficiency and reduction of operational costs.
- Prevention of unexpected and severe losses from potential operational risk incidents.
- Alignment with best practices and regulatory requirements (qualitative and quantitative).

The Operational Risk Management framework applied across the subsidiaries of the Group is adjusted to the size and scope of each Subsidiary's activities, as well as to any local supervisory requirements.

3.4.2 Operational Risk Mitigation Techniques

The Group, seeking the optimum operational risk management, which arises from its activities, adopts the suitable control and mitigation methods which are described below:

Internal Control System (ICS)

A major concern of the Group is the development and regular upgrade, at solo and group level, of the Internal Control System which includes documented and analytically recorded control mechanisms and processes, integrates best practices of corporate governance while covering each activity and transaction of the Group, contributing towards effective and safe operations.

Piraeus Group systematically monitors the adequacy and effectiveness of the current Internal Control System and directly implements possible actions that are needed towards the regular treatment and mitigation of operational risk.

ICS Enhancement Projects (RCSA - Action Plans)

Action Plans relate to:

- The improvement and enhancement of the existing Internal Control System (organizational structure, processes, systems, human resources, control mechanisms) and aims at the prevention of the possible occurrence of operational risk incidents, and
- The minimization of the financial and qualitative impacts of operational risk incidents and, thus, ensuring the smooth and uninterrupted operation of the Group.

The effective management of Action Plans, that have been established by the Group in order to mitigate operational risk, as this is reflected and monitored from the Risk and Control Self-Assessment (RCSA) process, is achieved through the three following principles:

- Focus on projects that require immediate implementation, with a clear time framework and strict deadlines.
- Accurate recording of the required resources and the relationship between the projects' resources and performance.
- Assessment, promotion and monitoring of the implementation of Action Plans from Group Operational Risk Assessment Team.

The Group recognizes that the systematic and consistent monitoring of the implementation of the Action Plans is a critical prerequisite for the timely and effective mitigation of the level of exposure to operational risk.

Key Risk Indicators (KRIs)

Key Risk Indicator is defined as any simple or complex data variable which, assesses, through the dynamic and regular monitoring of its trend, the operational risk exposure of the Group. For every KRI a specific set of tolerance levels is defined, according to the risk appetite.

The Group has established a set of KRIs at Group, Company and Unit level aiming at the effective and timely monitoring of the level of operational risk exposure as well as the timely decision making and implementing of potential corrective actions in case certain tolerance levels have been exceeded.

Insurance Coverage

The Group considers insurance coverage as a critical operational risk mitigation technique.

These contracts cover, according to the current insurance framework, the partial or the total recovery of financial losses which arise from specific operational risk categories.

Group insurance coverage is annually reviewed by the Insurance Committee in collaboration with respective Units of the Group.

In addition, Group Risk Management assesses the adequacy of the insurance coverage by applying alternative scenarios for calculating potential losses and regulatory requirements taking into consideration relevant stress tests.

Extreme scenarios aim at enriching the potential loss event database with events of low frequency and extreme impact. The set of extreme scenarios and their impact is reassessed and validated annually by Group Operational Risk Assessment Team, in order to meet not only the characteristics of the group's insurance policies but also the current market conditions.

Human Resources Training

The Group provides personnel with a full training on operational risk management issues enhancing staff familiarity and awareness with this type of risk.

Indicatively, the training activities include:

- Programs related to the implementation of the operational risk management framework.
- Specialized training for the mitigation of risk from external fraud (e.g. genuinity of banknotes and supporting documentation, dealing with robberies), money laundering and terrorism financing.
- Training on the implementation of the Business Continuity Plan (BCP).

Business Continuity Plan

The Group has developed the Business Continuity Plan which constitutes a clear and organized approach for the mitigation of any negative impact which may affect the business continuity under crisis conditions.

This plan is part of the overall operational risk management framework and intends to:

- Set the business continuity management framework.
- Describe the organizational structure of business continuity, the responsibilities of involved parties as well as the actions required for the effective recovery of both its operation and the systems .
- Record the required processes and actions ensuring business continuity.
- Describe the content and process of the business continuity plan management.
- Define the framework and guidelines according to which every Unit develops its own Business Continuity Plan.

The implementation of the Business Continuity Plan, in conjunction with the Disaster Recovery Site and the Disaster Recovery Plan, ensure the smooth and uninterrupted operation of the Bank across all the business activities and organizational structures, the effective treatment of operational risk and the full compliance with the regulatory framework (BoG GA2577/09.03.2006).

4. Credit Risk – Exposure and Assessment

4.1 General disclosures

4.1.1 Definitions

- **Non delinquent/non-impaired loans**

  Current claims without any delinquencies or specific provisions.

- **Non-impaired, delinquent loans and advances**

  The category includes all delinquent loans that have not been impaired. This category contains the actual amount of claim from the customer. Delinquent loans and claims, before provisions, not impaired are analyzed per portfolio (Retail Credit: mortgages, consumer/personal loans, credit cards and other loans), (Corporate Credit: loans to small and medium size companies, corporate) and according to bucket of delay as follows: 1) 1-90 days in delay, 2) 91-180 days in delay, 3) over 180 days in delay.

- **Impaired loans and advances**

  The category includes all the impaired loans irrespective of the days past due. A claim has been impaired when the book value exceeds the expected recovery amount (please refer to 4.1.2 for definition of impairment).

4.1.2 Impairment and Provisioning Policy

Piraeus Bank Group systematically examines whether there is solid and objective evidence that a claim's value has been impaired. To this end as of the date of each published financial statement, it conducts an impairment test concerning the value of its loans, according to the general principles and methodology described in the International Accounting Standards, and proceeds with assuming the respective provisions.

A claim is considered impaired when its book value exceeds its anticipated recoverable amount. The recoverable amount is estimated by the sum of the present value of future cash flows from anticipated repayments and the present value of the liquidation of any collateral/ guarantees in case the borrower fails to service the loan. In the event that there are indications that the Group will not be able to receive all payments due, a specific provision is made for the impaired amount associated with the loan. The amount of the provision is set as the difference between the carrying amount and the recoverable amount of the claim.

The Group, according to its IAS 39, considers the criteria and objective evidence that a loan or group of loans has been impaired.

Objective evidence that a loan or group of loans is impaired or it is not collectable consists of the following:

- Significant financial difficulty of the issuer or the obligor.
- A breach of contract (i.e. default or delinquency in interest or principal payments).
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or financial restructuring.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets, since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - Adverse changes in the payment status of borrowers in the group (i.e. increase in the number of delayed payments due to sector problems), or
    - National or local economic conditions that correlate with defaults on the assets in the group (i.e. increase in the unemployment rate for a geographical area of borrowers, decrease in the value of property placed as guarantee for the same geographical area, or unfavourable changes in the operating conditions of a sector, which affect the borrowers of this specific group).

The estimation concerning the existence of impairment and any resulting provisioning is conducted individually at a loan level for all loans (retail and corporate portfolio) considered by the Group as significant, and collectively at a loan group level for those considered less significant. The collective impairment assessment is conducted collectively based on common risk characteristics that are not considered important individually. Collective assessment also includes not individually impaired loans.

For impairment estimation on a collective basis, financial assets are grouped according to their similar credit risk characteristics (e.g. according to assessment criteria of the Group which take into consideration the nature of each asset, the sector where it belongs, the geographical area, the type of security and other such factors). These characteristics are correlated to the estimation of future cash flow for such groups of assets, indicating the customer’s ability to pay amounts due, according to the contractual terms of the financial assets under evaluation.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data, in order to reflect the current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period, that do not currently exist.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's

credit rating), the previously recognised impairment loss is reduced and the difference is registered in the Income Statement.

The Group, after having exhausted all possibilities for the collection of outstanding credit facilities and other claims, and factually assesses that these are impossible to be collected, it proceeds to writing off defaulted claims against provisions taken for their impairment, following the decision of the board of directors or authorised bodies. The Group continues to monitor the written off claims for possible revival of potential collection. On 31.12.2013 no significant recoveries from write offs on a Group level.

4.1.3 Forbearance measures and forbearance policy

As a result of the recessionary economic environment, in order for Piraeus Bank Group to manage risks more effectively, especially in the downward phase of the economic cycle, it proceeded to the extension of loan forbearance measures. Specifically forborne loans are characterized all loans to which a renegotiation of the original terms of the loan contract has been done due to financial difficulties of the borrower. Based on these difficulties, the Group decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially.

The Group monitors the forborne loans by customer category, by portfolio and by managerial division. For every forborne loan the date of designation to forbearance is retained and the implementation date of the new program as well. In the respective manuals of Piraeus Bank's Group Credit Policy regarding Corporate and Retail Credit, there are specific chapters, which describe in detail the procedures for the approval and management of forborne loans, as well as the relevant approval bodies/approval units and management units.

Forborne loans are examined for impairment in accordance with the impairment and provisioning policy as described above.

4.1.4 Credit Risk Exposure as of 31.12.2013[3]

Table 6: Credit Risk Summary (€ '000s)

	31.12.2013	31.12.2012	Average
Loans and advances (after provisions)	**62,365,774**	**44,612,686**	**53,489,230**
Loans to individuals	**22,392,484**	**16,118,688**	**19,255,586**
Mortgages	17,348,337	12,281,225	14,814,781
Consumer/personal loans	4,068,783	3,007,265	3,538,024
Credit cards	975,364	830,199	902,781
Corporate loans	**37,730,230**	**28,493,998**	**33,112,114**
Loans to public sector	**2,243,060**	**28,493,998**	**15,368,529**
Other receivables	**19,375,777**	**16,427,527**	**17,901,652**
Loans and advances to credit institutions	293,035	380,401	336,718
Derivative financial instruments-assets	325,032	441,317	383,175
Bonds and Treasury Bills of Trading Portfolio	189,330	350,568	269,949
Bonds at fair value through Profit & Loss	-	-	-
Debt securities – receivables	15,628,221	8,015,997	11,822,109
Repos	7,124	35,924	21,524
Bonds of investment portfolio	953,279	4,502,970	2,728,124
Other assets	1,979,757	2,700,349	2,340,053
Off-balance sheet items	**5,285,048**	**4,383,517**	**4,834,282**
Letters of guarantee	3,339,169	3,109,938	3,224,553
Letters of credit	64,442	44,229	54,336
Unused credit limits	1,881,437	1,229,350	1,555,393
Total Credit Risk Exposures	**87,026,599**	**65,423,729**	**76,225,164**

[3] Balances regarding ATE Insurance and ATE Insurance Romania are included in the following data. Both companies are classified as discontinued in the Group's financial statements.

Table 7: Loans to Customers analysed by sector (€ '000s)

	Neither past due nor impaired	Past due but not impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd	Total impaired	of which > 90 dpd	Specific Provisions	Collective Provisions
Business Loans	17,128,805	7,384,131	5,467,964	17,923,280	13,627,215	(9,345,851)	(828,098)
Agriculture - Forestry	905,563	202,604	160,828	282,427	236,989	(128,456)	(23,169)
Manufacturing - Handicraft	2,951,949	1,338,736	689,840	2,818,478	2,227,418	(1,531,701)	(142,759)
Energy	548,237	741,870	39,658	38,729	27,937	(13,356)	(3,013)
Wholesale and retail trade	2,822,795	936,054	979,868	2,689,446	2,385,203	(1,680,926)	(243,177)
Shipping	1,777,198	289,882	137,352	787,209	446,219	(271,140)	(1,724)
Coastline / Ferries	27,501	71,346	57,179	195,924	195,839	(115,039)	(125)
Transport & Logistics	412,661	195,085	148,180	464,542	417,376	(283,555)	(16,392)
Hotels	1,105,450	789,806	803,064	622,167	536,262	(209,326)	(100,233)
Financial Sector	776,507	142,636	237,140	2,110,213	1,081,673	(1,257,055)	(3,985)
Construction	1,617,021	861,079	816,356	2,832,163	2,495,286	(1,334,813)	(80,602)
Real Estate	954,071	689,252	459,372	1,463,801	1,033,247	(584,779)	(28,483)
Project Finance	716,100	361,819	34,078	287,735	116,812	(171,411)	(1,635)
Other	2,513,750	763,961	905,049	3,330,447	2,426,953	(1,764,293)	(182,802)
Loans to public sector	2,131,186	80,822	21,040	30,224	27,912	(18,654)	(1,558)
Retail Loans	13,237,275	4,664,117	2,646,095	5,398,688	5,375,950	(160,996)	(3,392,695)
Mortgages	10,209,770	3,629,295	2,416,376	1,828,886	1,818,197	(61,508)	(674,483)
Consumer	2,300,298	941,979	202,635	2,818,705	2,806,650	(97,148)	(2,097,685)
Credit Cards	727,208	92,843	27,084	751,097	751,103	(2,340)	(620,527)
Total	**32,497,265**	**12,129,070**	**8,135,098**	**23,352,192**	**19,031,077**	**(9,525,502)**	**(4,222,351)**

Table 8: Country Risk break down of loans to customers (€ '000s) [4]

	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	27,883,607	10,424,498	7,661,682	19,902,681	16,473,057	(8,318,669)	(3,866,203)
Attica	15,718,260	5,872,309	3,666,932	12,708,469	10,072,290	(6,014,971)	(1,843,847)
East Macedonia & Thrace	895,142	252,597	237,920	416,004	365,054	(116,313)	(138,513)
North Aegean	253,156	87,390	90,863	204,975	200,531	(98,017)	(51,471)
West Greece	844,777	322,099	341,005	545,163	503,993	(166,280)	(181,673)
West Macedonia	453,609	137,238	101,059	190,833	175,675	(47,157)	(64,210)
Epirus	663,843	247,944	205,851	270,241	214,766	(66,948)	(96,420)
Thessaly	1,072,314	396,483	279,435	665,093	577,392	(264,667)	(167,620)
Ionian Islands	331,226	162,048	131,825	231,121	221,640	(66,405)	(58,171)
Central Macedonia	3,596,575	1,332,298	916,853	2,298,515	1,907,182	(723,111)	(566,632)
Crete	1,509,469	660,778	567,729	905,674	850,150	(293,913)	(241,736)
South Aegean	802,029	387,255	536,016	454,910	443,488	(132,631)	(138,194)
Peloponnese	918,400	294,081	358,060	491,174	446,283	(134,669)	(171,837)
Central Greece	824,806	271,978	228,134	520,510	494,612	(193,588)	(145,879)
Cyprus	379,597	193,816	43,666	175,651	156,908	(74,386)	(14,838)
CEE Countries	2,020,073	1,002,110	277,729	2,302,403	1,770,902	(777,189)	(314,948)
Rest of Europe	176,125	6,777	8,799	63,071	62,813	(14,094)	(5,602)
Other Countries	2,037,863	501,869	143,222	908,387	567,397	(341,163)	(20,761)
Total	**32,497,265**	**12,129,070**	**8,135,098**	**23,352,193**	**19,031,077**	**(9,525,502)**	**(4,222,351)**

[4] CEE countries include Russia, Czech Republic, Poland, Hungary, Romania, Moldavia, Croatia, Lithuania, Latvia, Estonia, Slovenia, Slovakia, Bulgaria, Ukraine, Belarus, Serbia, Montenegro, Bosnia & Herzegovina and Albania.

Table 9: Loans and advances - remaining maturity (€ '000s)

	Up to 12 months	1 to 5 years	>5 years	Total
Total Loans	**33,929,748**	**12,323,856**	**29,860,024**	**76,113,628**
Corporate Loans	27,591,321	10,304,136	12,271,995	50,167,452
Retail Loans of which	6,338,427	2,019,720	17,588,029	25,946,176
Mortgage	2,323,917	687,727	15,072,684	18,084,328
Consumer	2,421,460	1,326,812	2,515,345	6,263,616
Credit Cards	1,593,051	5,181	0	1,598,232
Loans and advances to financial institutions	293,035	0	0	293,035
Trading Bonds	33,752	144,678	11,449	189,879
Debt securities-receivables	1,330,950	2,364,718	11,932,553	15,628,221
Bonds held to maturity	30,820	27,221	0	58,041
Bonds available for sale	669,633	199,464	26,141	895,238
Derivatives	44,089	211,299	404,670	660,059
Repos and Reverse Repos	373,091	0	0	373,091
Off balance sheet items	**2,624,883**	**648,410**	**2,011,756**	**5,285,049**
Letters of Credit	961,331	570,866	1,806,973	3,339,170
Letters of Guarantees	64,108	153	181	64,442
Unused limits	1,599,444	77,391	204,602	1,881,437

Table 10: Movement in allowance (impairment) for losses on loans and advances to Customers (€ '000s)

	Loans to Individuals	Loans to Corporate Entities	Loans to Public Sector	Total
Balance - 01.01.2013	**1,170,760**	**2,639,089**	**23,114**	**3,832,963**
Impairment loss	584,478	1,764,563	2,872	2,351,913
Reverse of impairment loos	(9,051)	(120,721)	(4,786)	(134,558)
Total loss impairment to Loans and claims	**575,428**	**1,643,842**	**(1,914)**	**2,217,355**
Loans written off	(116,926)	(165,610)	-	(282,535)
FX Differences and other movements	(13,280)	(44,744)	(987)	(59,010)
Balance - 31.12.2013	**1,615,982**	**4,072,578**	**20,212**	**5,708,772**

4.2 Credit Risk – Standardised Approach

4.2.1 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:

- Moody's
- Fitch
- Standard & Poor's
- ICAP

These Institutions have been evaluated and acknowledged by the Bank of Greece as approved external credit assessment institutions.

Piraeus Group uses Moody's, Fitch and Standard & Poor's ratings, as approved by the Bank of Greece according Act 250/4/25.9.2007, for "Credit exposures against Financial Institutions" and "Credit exposures against Central Governments/Central Banks".

ICAP's ratings are used for long-term and short-term credit exposures against corporate customers residing in Greece, according the Bank of Greece's Act 2588/20.8.2007.

If there are multiple ratings for a specific exposure, the Group follows the directions of Bank of Greece in order to determine the exposure's risk weight. In particular, if for a specific exposure there are two available ratings 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 Group applied a policy according to which the counterparties' ability to fulfill their obligations determine the provided credit limit. In order to mitigate credit risk, credit collaterals and securities.

4.2.2 Credit Risk Mitigation – Standardised Approach

4.2.2.1 Types of eligible collateral

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

For that purpose, it has defined and included in its credit policy the following main types of acceptable collateral and security[5]:

- 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.

The following table portrays the Group's exposures secured with eligible collateral and guarantees (reference date 31.12.2013), according to Bank of Greece's Governor's Act 2588/20.08.2007. To correctly interpret the figures presented in the table bellow, the following must be noted:

- In the secured by collateral/guarantee type value of exposures, off balance sheet items, derivatives' potential future exposures, as well as the exposures (including the retained portion of securitised loans) and collaterals of repurchase agreements and securities borrowing, are included.
- Only regulatory eligible, according to the Standardised Approach, guarantees and financial collateral are included. These guarantees are considerably fewer compared to those accepted by Piraeus Group for business purposes.
- 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. 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 favourable risk weight against credit risk according to the regulatory framework.
- The majority of delinquent loans and of those classified as regulatory high risk, 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 favourable risk weight against credit risk according to the regulatory framework.

The exposures, before and after the implication of eligible collateral, per risk weight and asset class, as described in the Governor's Act 2588/20.8.2007, are presented below:

[5] For the calculation of capital requirements, eligible collateral are only those mentioned in the Governor's Act 2588/20.8.2007, and constitute a significantly smaller subset of the types of collateral/security accepted by Piraeus Group in its business activities.

Table 11: Credit Risk Exposures before and after the implication of credit risk mitigation techniques as of 31.12.2013 (€ '000s)

Credit Risk Exposures	Exposures (after the deduction of provisions)	Value of exposure (after the implication of credit risk mitigation techniques & deduction of provisions)
Central Governments / Central Banks	6,456,538	6,456,538
0%	5,756,836	5,756,836
100%	164,645	164,645
150%	535,056	535,056
Regional Governments and Public Sector Entities	264,366	259,073
20%	260,782	255,488
50%	284	284
100%	3,300	284
Administrative bodies and non-profit organizations	108,423	69,911
100%	108,423	69,911
Financial Institutions	1,596,534	1,594,720
0%	678,844	678,844
20%	793,172	792,412
50%	74,106	73,887
100%	40,426	39,921
150%	9,986	9,657
Multilateral development banks	0	0
International Organisations	14,373,487	14,373,487
0%	14,373,487	14,373,487
Corporate customers	18,776,942	18,037,020
50%	971,300	771,300
100%	16,459,381	15,980,862
150%	1,346,261	1,284,098
Retail customers	9,854,455	9,511,305
75%	9,854,455	9,511,305
Exposures Secured by real estate property	16,291,100	16,263,110
35%	10,860,508	10,849,422
50%	5,430,593	5,413,688
UCITS	23,616	23,616
100%	23,616	23,616
Cover bonds	0	0
Short-term exposures	0	0
High Risk Categories	3,403,019	3,340,426
50%	295,132	295,055
100%	2,298,934	2,241,752
150%	808,953	803,619

Credit Risk Exposures	Exposures (after the deduction of provisions)	Value of exposure (after the implication of credit risk mitigation techniques & deduction of provisions)
Stocks, Participations and Other Assets	6,485,923	6,485,923
0%	1,471,797	1,471,797
20%	147,436	147,436
20%	4,497	4,497
100%	4,862,194	4,862,194
Past Due exposures	15,475,805	15,263,784
50%	1,597,438	1,597,291
100%	9,525,895	9,397,702
150%	4,352,472	4,268,791
Total	**93,110,209**	**91,678,914**

Table 12: Credit and Counterparty Risk exposures secured by eligible credit risk mitigation instruments as of 31.12.2013 (€ '000s)

Type of exposure	Financial Collateral	Guarantees	Secured by Real Estate
Central Governments/ Central Banks	-	-	-
Regional governments and local authorities	5,294	3,299	-
Administrative Bodies & Non-Profit Organizations	38,512	334	-
Financial Institutions	1,054	-	-
Multilateral development banks	-	-	-
International Organisations	-	-	-
Corporate entities	740,681	260,131	-
Retail customers	343,150	338,220	-
Claims secured by real estate property	27,990	216,956	15,933,427
Cover bonds	-	-	-
UCITS	-	-	-
Short-term exposures	-	-	-
Stocks, Participations and Other Assets	-	-	-
Regulatory high risk exposures & past due items	274,614	684,490	9,857,170

Piraeus Bank Group does not apply the Internal Ratings Model when calculating the risk weighted assets of the credit risk exposures; hence, there are no relevant disclosures.

4.2.2.2 Collateral Valuation Process

- 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 (price, accrued interest, valuation date, source of valuation).

- For regulatory capital adequacy ratio calculation, only shares and equities listed in the stock exchange are 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 Capital Adequacy 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.
- Collateral/security is valued initially during the approval of claim based on its current or fair value and is then revalued regularly. In general, collateral/security is not taken for exposures against financial institutions, unless it concerns reverse-repos or other securities' lending activities. Netting is not applied to either on or off balance sheet items for regulatory capital calculation purposes.
- Netting policy in on balance or off balance sheet items is not included in the credit risk mitigation techniques.
- There is no significant market or credit risk concentration in the risk mitigation instruments.

5. Counterparty Credit Risk – Exposure and Evaluation

5.1 Counterparty Credit Risk – General Disclosures

The Bank, complying with the Bank of Greece Governor's Act 2594/20.8.2007, has developed a system which defines and monitors credit limits.

More precisely, concerning positions in derivatives, counterparty credit risk exposure is calculated according to the Mark to Market Method, as defined in Bank of Greece Governor's Act 2594/20.08.2007. In particular, the exposure value is the sum of the contract's replacement cost (market value) - given it has a positive value - plus the potential future exposure, which depends on the nominal value, the type and the residual maturity of the contract.

Regarding repo and reverse-repo positions, the calculation of counterparty credit risk exposure is based on the Analytical Method for Financial Collaterals, as described in Bank of Greece Governor's Act 2588/20.08.2007.

5.2 Counterparty Credit Risk – Standardised Approach

The total initial exposure to counterparty credit risk at the group level as of 31.12.2013 amounted to €8,765 mio. and the gross positive fair value amounted to €420 mio. The volatility and maturity mismatches adjusted value of the corresponding financial collaterals that mitigates part of the relevant credit exposure, amounted to €7,732 mio. The Bank does not take into account netting agreements during the calculation of capital charges.

Table 13: Counterparty Credit Risk exposures 31.12.2013 (€ '000s)

Contract Type	Original Exposure	Financial Collateral Adjusted Value	Fully Adjusted Exposure Value	Capital Charges
Cross Currency Swaps	259,284	-	259,284	3,870
Interest Rate Swaps	359,856	-	359,856	6,258
FX Outrights & FX Swaps	35,561	-	35,561	751
Repos	8,056,741	7,692,858	363,883	5,822
Reverse Repos	48,686	39,479	9,208	711
Other OTC Derivatives	5,358	-	5,358	422
Total CCR	**8,765,486**	**7,732,337**	**1,033,149**	**17,835**

Furthermore, it is noted that:

- The total exposure to credit risk from derivative products under the International Financing Reporting Standards differs from the exposure measured according to the Basel II regulatory framework due to methodological differences.
- The Bank's Policy regarding Credit Limits is described in detail in section 3.1.2.1 (i) «Systematic evaluation of the customers' creditworthiness and assessment of the probability of defaulting on their contractual obligations», paragraph «Credit Risk Limits», and is also applicable when assessing Counterparty Credit Risk.
- The Group, in order to minimize the effect of counterparty credit risk and to ensure the required collaterals, signs ISDA and GMRA contracts with its counterparties, as well as Credit Support Annexes.
- For the time being and given the conditions in the interbank market, in case the Group's credit rating is downgraded, no significant impact in the collateral amount is expected.
- The Group's exposures are not subject to wrong way risk, since the mark-to-market method is followed, according to the Bank of Greece Governor's Act 2594.
- The Group is not exposed to counterparty credit risk deriving from transactions in credit derivatives.

6. Market Risk – Exposure and Assessment

6.1 Market Risk – General Disclosures

6.1.1 Stocks: Disclosures regarding exposures not included in the trading portfolio

Available for Sale (AFS) shares are those, for which there is no specific holding period, and which can be liquidated according to the liquidity needs, the changes in interest-rates or equities prices.

Regular purchase and sale of the AFS portfolio shares is recognised based on the transaction date, at which the Bank commits to purchase or sale the assets.

Available for sale equities are initially recognised at fair value (plus transaction costs) and are subsequently carried at fair value according to current market prices or valuation models, where the market prices are not available (in accordance with IAS 39 provisions). Non - realised profits or losses due to changes in equities fair value, classified in the AFS portfolio, are recognised in a special reserve own funds account. If shares of the AFS portfolio are sold, the corresponding accumulated profits/losses are transferred from the special reserve own funds account to the profits & loss account.

Regarding Athens Stock Exchange listed shares and foreign stock exchange listed shares, fair value is based on current market prices. In 31.12.2013, the value of listed shares in the available for sale portfolio of Piraeus Bank Group was €223mio. (Table 14).

The shares of the available for sale portfolio are recognized when it is no longer possible to receive their cash flow or when the Group has transferred the majority of risks and benefits to third parties.

The Group performs impairment tests (significant or extended reductions of fair value) on these shares on a quarterly basis, using various valuation models. These models include valuation based on the price to book value (P/BV), the price to earnings per share (P/E) or the divergence from their market value for investments which are listed in a stock market. Significant or prolonged reduction is defined as:

- reduction of fair value below investment cost for more than 40% or
- reduction of fair value for twelve subsequent months for more than 20%.

In case the above-mentioned objective indications are fulfilled, the Group in order to evaluate the necessity to proceed to impairment, the below-mentioned elements are examined:

- the company's operational and financial cash flows,
- the market conditions,

- the historical fluctuation of the stock price,
- the financial condition and medium-term outlook of the company,
- how the company's sector is progressing and potential technological changes.

If the above mentioned models show indication of impairment, the Group thoroughly evaluates the possibility of recovering the acquisition cost based on the historical volatility of each share separately.

When there are objective indications that the AFS asset has been permanently impaired, then the realised accumulated loss in own funds, is transferred to the profit and loss account. This loss is the difference between the acquisition cost and the market value after deducting any losses which have been recognised in previous period's results. Impairment loss of the AFS shares that has been recognised in the Financial Statements cannot be reversed.

Table 14: Stocks and Mutual Funds available for Sale as of 31.12.2013 (€ '000s)

	31.12.2013
Stocks listed in the Athens Stock Exchange	196,461
Stocks listed abroad	26,162
Non-listed stocks	150,813
Mutual Funds	56,808
Other variable income securities	52,268
Total	**482,512**

Additionally, the sum of realized profit/loss from sales and liquidation of available for sale equities and mutual funds amounted to €7 mio. profit in 2013. The total net amount of non realized loss from the above equities' value adjustments amounted to €84 mio. on 31.12.2013. This amount was included in the AFS reserve increasing own funds, but it is not included in the regulatory own funds.

6.1.2 Interest Rate Risk

Interest Rate Risk arises from both the execution of core banking activities, such as taking deposits and granting loans, as well as the undertaking of investment and trading positions on financial instruments such as bonds, whose market value is affected by the level and/or the volatility of interest rates. Interest rate risk is generated mainly by 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 monitors and controls interest rate risk closely and on a continuous basis, by applying an interest rate risk management policy and by adopting risk assessment techniques based on the Interest Rate Gap Analysis. This analysis reflects the interest rate profile of all interest rate bearing assets and liabilities, including off balance sheet items. According to this analysis, assets and liabilities are allocated to time periods

according to their remaining maturity (fixed rate assets and liabilities), or next interest rate re-pricing date (variable rate assets and liabilities). Assets or Liabilities that lack a predetermined contractual maturity or interest rate re-fixing periodicity (e.g. overdraft loan facilities, sight and saving deposits), are mapped on the overnight time period.

On the basis of the Interest Rate Gap, the Group measures the sensitivity of its balance sheet items, to potential changes in interest rates, having set risk appetite limits expressed in terms of the impact of changes in interest rates by 100 basis points (1%). More specifically, the Group measures its interest rate risk, through the anticipated change in the net present value of Assets and Liabilities (PV100 – Present Value of 100 basis points), as well as the impact on its interest income over one year (EaR – Earnings at Risk), caused by the aforementioned move in interest rates by 100 basis points.

Indicatively, interest rate sensitivity estimates for the Balance Sheet value and Earnings at Risk, for a potential parallel 100 basis points move in yield curves for main currencies as of 31.12.2013, are as follows:

Table 15: Interest Rate Sensitivity Analysis Results 31.12.2013 (€ mio.)

	EUR	USD	CHF	Other
PV 100	-98.9	2.03	-0.22	0.89
EaR	8.11	-2.29	-0.19	-2.62

Above sensitivity estimates remain at very low levels, as a percentage of regulatory capital (risk bearing capacity) of the bank. The monitoring and control of the interest rate risk positions is performed on a daily basis at the Bank level and on a monthly basis at the Group level.

The Interest Rate Risk that stems from the core banking activities (i.e. loans and deposits), is transferred to the Units which are responsible for the management of this risk (i.e. Treasury Units). The transfer is performed through an appropriate internal Funds Transfer pricing mechanism, applied at the transaction level, taking into account the interest rate behaviour of individual transactions. As a result, the monitoring and control of exposure is fast and continuous and covers the full breadth of activities in all currencies.

The preservation of the interest rate risk within approved limits, is achieved through the execution of hedging transactions such as interest rate swaps (IRS), interest rate futures and bond futures etc, aiming to immunise the risk on a portfolio or on a total balance sheet basis, per currency.

In order to mitigate the fixed rate loans and deposits prepayment/early termination risk, the Bank applies a methodology for the calculation of the potential cost to the Bank for individual transactions, on the basis of

relevant market rates for the residual fixed rate period of the transaction. This cost is carried by the customer when this is provided within the terms of the transaction, or by law.

6.1.3 Trading Book Value at Risk

The Value-at-Risk estimate for the Group's total trading book was €1.27 mio. on 31/12/2013. Total VaR is broken down to €0.42 mio. for interest rate risk, €0.01 mio. for equity risk, €1.14 mio. for foreign exchange risk and €0.05 mio. for commodities risk. The diversification effect for the total portfolio amounted to €-0.34 mio., which reduces the overall trading book Value at Risk. During 2013 the Value at Risk estimates remained at the same levels.

Table 16: Group Trading Book Value at Risk (€ mio.)

	2013	2012
VaR Interest Rate Risk	0.42	0.46
VaR Equity Risk	0.01	0.01
VaR FX Risk	1.14	1.13
VaR Commodity Risk	0.05	0.1
Diversification effect	-0.34	-0.38
Group Trading Book - Total VaR	**1.27**	**1.32**

6.2 Market Risk – Standardised Approach

The calculation of the capital charges arising from market risk exposures is processed according to the Bank of Greece's Act 2646/09.09.2011. In the table below, the capital charges for market risk exposures as of 31.12.2013 are presented.

Table 17 Market Risk capital charges (€ '000s)

Piraeus Bank Group	Capital Charges
Specific Risk on Debt Instruments	40
General Risk on Debt Instruments	5,622
Equity Specific Risk	1,566
Equity General Risk	1,496
Position Risk on CIU	196
FX Risk	33,982
Total	**42,902**

7. Operational Risk – Exposure and Assessment

7.1 Operational Risk – General Disclosures

In 2013 the Bank set as a top priority the control and the mitigation of the operational risk that has been raised from the acquisitions, the rapid increase of its activities as well as from its daily operations under its new schema.

The continuous improvement in the operational risk profile of the Bank is ensured through appropriate actions for the immediate detection and adequate improvement of any potential operational failures that may adversely affect its customer service, its reputation and the achievement of its objectives.

The main actions of the Operational Risk Management for the development and strengthening of the framework as well as for the risk management, for 2013, are summarized below:

- Enhancement of the operational risk identification and management methods.
- Policy development for the identification and the collection of operational risk incidents.
- Implementation of enhanced criteria in the management of the Action Plans.
- Adoption of the operational risk management framework by the Geniki Bank and the Frankfurt Branch (formerly ATEbank).
- Adjustment of the potential risk exposure of the Bank under its new schema.
- Integration of data from the acquired Banks that relate to the operational risk actual losses.

7.2 Operational Risk – Standardised Approach

The Piraeus Bank, both on solo and consolidated basis, has adopted the Standardised Approach for calculating operational risk capital charges, through the allocation of its Gross Income into the eight (8) regulatory business lines.

The following income categories are allocated to the eight (8) regulatory Business Lines:

- Net Interest Income
- Fees & Commissions
- Net Trading Income
- Other Operating Income
- Dividend Income

Net Interest Income is calculated and allocated across all Bank Units, within the Funds Transfer Pricing (FTP) system, based on the average balances of fund raising and lending activities (Gross FTP).

Internal Pricing is based on interbank market rates depending on currency, maturity of fixed interest rate products or re-pricing period of variable interest rate products (Multiple Pool – FTP).

The income that accrues from activities that cannot be classified in any of the eight (8) regulatory business lines is assigned to a “Group Financial Cost Centre (Unclassified)” and receives the highest operational risk capital charge factor (18%).

For reasons of accurate illustration and compliance with regulatory reporting, the “Group Financial Cost Centre” is allocated to the “Trading and Sales” business line.

It is noted that the above framework is applicable to all subsidiaries belonging to the financial sector. The rest of the subsidiaries are incorporated in the Group’s overall Standardised Approach by allocating their Gross Income to the "Asset Management" business line.

Table 18 Operational Risk Capital Charges per Business Line (€ 000s’)

Piraeus Bank Group	
Corporate Finance	72
Trading and Sales	11,984
Retail banking	91,875
Commercial Banking	119,547
Payment & Settlement	6,721
Agency Services	521
Asset Management	1,042
Retail Brokerage	414
Total (Standardised Method)	**232,176**

8. Securitisation

8.1 Securitisation – General Disclosures

In the past, the Group has successfully completed nine (9) traditional[6] securitization programs (three (3) concerning mortgage loans, three (3) concerning corporate loans, two (2) concerning consumer loans and one (1) concerning financial leases), in accordance with Law 3156/2003, amounting to €9,625 mio., for liquidity raising purposes. The Group has not implemented any synthetic securitisation programs.

The second bond issuance from business loans AXIA II was called back in October 2011, the third bond issuance from securitized mortgage loans ESTIA II was called back in February 2011, while the first leasing receivables securitisation GAIA LEASING amounting to €540 mio. was called back in March 2011. All other securitisation programs are largely retained by the Group. In December 2013, after the acquisition of Millennium Bank S.A., the Group incorporated the issuance of mortgage loans KION Mortgage Finance of €95 mio.

The role of the Group in the securitisation procedure is to transfer, manage and provide credit facilities, and at the same time to finance the establishment of special purpose entities (SPEs). Although there is no shareholder relation to the Group, special purpose entities are consolidated. This is provided under the SIC Interpretation 12, and is applied when the Group exercises control over the SPE. When assessing whether the Group controls an SPE, in addition to the criteria in IAS 27, a range of supplementary factors is evaluated:

(i) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPEs operations,

(ii) the Group has the decision-making power to obtain the majority of the benefits arising from the activities of the company, or the Group has transferred the decision-making power through an automatic mechanism,

(iii) the Group obtains the majority of the benefits of the SPE's activities, but at the same time is exposed to risks arising from them,

(iv) the Group retains the majority of the residual or ownership risks related to the SPE or its assets.

The Group reassesses its treatment of SPEs for consolidation, when there is an overall change in the SPEs arrangements or when there has been a significant change in the relationship between the Group and the SPE. The events that would indicate the need for such reassessment include the following:

- significant changes in the ownership of the SPE,
- changes in the contractual arrangements of the SPE,
- changes in the financing structure of the SPE.

[6] Traditional securitisation: Securitisation involving the economic transfer of the exposures being securitised to a special purpose entity, which issues securities. This shall be accomplished by the transfer of ownership of the securitised exposures from the originator credit institution or through sub-participation. The securities issued do not represent payment obligations of the originator credit institution.

The Group, following the IFRS rules, does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE. In many cases, parts of the evidence, if viewed separately, may indicate control or lack of such over an SPE, but in aggregate make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

8.2 Securitisation – Standardised Approach

According to the Bank of Greece Governor's Act 2645/9.9.2011, there is no significant credit risk transfer in the securitised exposures, due to the fact that Piraeus Bank retains the largest part of the securitised positions in all issuances. The securitised loans are weighted according to the Governor's Act 2588/20.8.2007.

Regarding the Group's investment in securitised exposures, the ratings of Moody's, Standard&Poor's and Fitch's are used. In 31.12.2013 there were no invested securitised exposures possessed by the Group. Finally, it should be noted that there is no interest rate risk deriving from securitised positions, since there are no securitised exposures in the trading book.

9. Remuneration Policy Disclosures

9.1 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, 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 Policy aims at aligning compensation with profitability, risk and capital adequacy. It was introduced in order to maximize performance, to attract and retain talents, and to ensure compliance with regulatory requirements and internal transparency.

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

9.2 Remuneration Committee

The Remuneration Committee is responsible for the preparation, the monitor of the implementation and the periodic review of the Bank's Remuneration Policy. The Committee consists of non-executive Board Members. Most of them, including the Chairman of the Committee, are independent ones. 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 Committee and affect the risks that the Bank undertakes and manages, as well as the supervision of these decisions.

- To ensure 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.

- To secure the participation of responsible Units (Risk Management, Compliance, Internal Audit, Human Resources, and Strategic Planning) in the preparation, review and consistent implementation of the remuneration policy, as well as that of external consultants, when deemed necessary by the Board of Directors.

9.3 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 Internal 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.

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.

It should be noted that during 2013, no external consultants participated in the preparation or review of the Bank's Remuneration Policy.

9.4 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 highest proportion of an employee's total remuneration, to the extent that employee's living standards do not depend on variable 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.

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

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

9.5 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.

9.6 Proportionality principle

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

9.7 Remuneration disclosures

The tables that follow 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 19 (€ '000s)

31.12.2013	Investment Banking	Retail Banking	Asset Management	Other
Total number of staff by business area	56	13	2	102
Total fixed remuneration by business area	4,978	989	232	10,376
Total variable remuneration by business area	0	0	0	0

Table 20 (€ '000s)

31.12.2013	Senior Management	Risk Takers	Staff Responsible for Control Functions
Total number of staff by category:	**96**	**51**	**26**
Total fixed remuneration[7]:	**10,773**	**4,121**	**1,680**
Total variable remuneration, of which:	**0**	**0**	**0**
In cash:	0	0	0
In shares or other equivalent :	0	0	0
Other:	0	0	0
Total deferred variable remuneration for the year, of which:	**0**	**0**	**0**
Vested	0	0	0
Non-vested	0	0	0
Total amount of compensation adjustments applied during the year, for performance or remuneration awarded in previous years:	**0**	**0**	**0**
Number of staff receiving sign-in payments within the year:	**0**	**0**	**0**
Total amount of sign-in payments within the year:	**0**	**0**	**0**
Number of staff receiving severance payments within the year:	**0**	**0**	**0**
Total amount of severance payments within the year:	**0**	**0**	**0**
The highest amount of either sign-in or severance payment made to a single person within the year:	**0**	**0**	**0**

[7] Note: 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).

APPENDIX I

Appendix: Accounting Consolidation

Subsidiary companies (full consolidation method)

Company Name	Activity	% Holding	Country
Tirana Bank I.B.C. S.A.	Banking Activities	99%	Albania
Piraeus Bank Romania S.A.	Banking Activities	100%	Romania
Piraeus Bank Beograd A.D.	Banking Activities	100%	Serbia
Piraeus Bank Bulgaria A.D.	Banking Activities	100%	Bulgaria
Piraeus Bank Egypt S.A.E.	Banking Activities	98%	Egypt
JSC Piraeus Bank ICB	Banking Activities	100%	Ukraine
Piraeus Bank Cyprus Ltd.	Banking Activities	100%	Cyprus
Piraeus Asset Management Europe S.A.	Mutual Funds Management	100%	Luxembourg
Piraeus Leasing Romania S.R.L.	Finance Leases	100%	Romania
Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance & Reinsurance Brokerage	100%	Greece
Tirana Leasing S.A.	Finance Leases	100%	Albania
Piraeus Securites S.A.	Stock Exchange Operations	100%	Greece
Piraeus Group Capital LTD	Debt Securities Issue	100%	Great Britain
Piraeus Leasing Bulgaria EAD.	Finance Leases	100%	Bulgaria
Piraeus Group Finance P.L.C.	Debt Securities Issue	100%	Great Britain
Piraeus Factoring S.A.	Corporate Factoring	100%	Greece
Picar A.E.	City Link Estate Management	100%	Greece
Bulfina S.A.	Property Management	100%	Bulgaria
General Construction and Development Co S.A.	Property development/ holding company	67%	Greece
Piraeus Direct Services S.A.	Call center services	100%	Greece
Komotini Real Estate Development S.A.	Property Management	100%	Greece
Piraeus Real Estate S.A.	Construction Company	100%	Greece
ND Development S.A.	Property Management	100%	Greece
Property Horizon S.A.	Property Management	100%	Greece
ETVA Industrial Estates S.A.	Property Management	65%	Greece
Piraeus Development S.A.	Property Management	100%	Greece
Piraeus Asset Management S.A.	Mutual Funds Management	100%	Greece
Piraeus Buildings S.A.	Property Management	100%	Cyprus
Estia Mortgage Finance PLC	SPE for securitisation of mortgage loans	100%	Great Britain
Euroinvestment & Finance Public LTD	Asset Management, Real Estate Operations	91%	Cyprus
Lakkos Mikkelli RealEstateLTD	Property Management	51%	Cyprus

Company Name	Activity	% Holding	Country
Philoktimatiki Public LTD	Land and Property development	53%	Cyprus
Philoktimatiki Ergoliptiki LTD	Property Management	53%	Cyprus
New Evolution S.A.	Property Management	100%	Greece
EMF Investors Limited	Investment Company	100%	Cyprus
Piraeus Green Investments S.A.	Holding Company	100%	Greece
New Up Dating Development Real Estate and Tourism S.A.	Property, Tourism & Development Company	100%	Greece
Sunholdings Properties Company LTD	Land and Property Development	27%	Cyprus
Polytropon Properties Limited	Land and Property Development	40%	Cyprus
Capital Investments & Finance S.A.	Investment Company	100%	Liberia
Vitria Investments S.A.	Investment Company	100%	Panama
Piraeus Insurance Brokerage EOOD	Insurance brokerage	100%	Bulgaria
Trieris Real Estate Management LTD	Property Management	100%	British Virgin Islands
Piraeus Egypt Leasing Co.	Finance Leases	98%	Egypt
Piraeus Egypt for Securities Brokerage Co.	Stock Exchange Operations	98%	Egypt
Piraeus Insurance - Reinsurance Broker Romania S.R.L.	Insurance and Re-insurance Brokerage	100%	Romania
Piraeus Real Estate Consultants S.R.L.	Property Management	100%	Romania
Piraeus Leasing S.A.	Finance Leases	100%	Greece
Multicollection S.A.	Assessment and collection of commercial debts	51%	Greece
Olympic Commercial & Tourist Enterprises S.A.	Oper. Leases, Rent-a-car and long term rental of Vehicl.	94%	Greece
Piraeus Rent Doo Beograd	Operating Leasing	100%	Serbia
Estia Mortgage Finance II PLC	SPE for securitisation of mortgage loans	100%	United Kingdom
Piraeus Leasing Doo Beograd	Finance Leases	100%	Serbia
Piraeus Real Estate Consultants Doo	Property Management	100%	Serbia
Piraeus Real Estate Bulgaria EOOD	Property Management	100%	Bulgaria
Piraeus Real Estate Egypt LLC	Property Management	100%	Egypt
Piraeus Bank Egypt Investment Company	Investment Company	98%	Egypt
Piraeus Insurance Agency S.A.	Insurance - Agency	100%	Greece

Company Name	Activity	% Holding	Country
Piraeus Capital Management S.A.	Venture Capital Fund	100%	Greece
Piraeus Insurance Brokerage Egypt	Insurance Brokerage	96%	Egypt
Intergrated Services Systems Co.	Warehouse & Mail Distribution Management	98%	Egypt
Axia Finance PLC	SPE for securitisation of corporate loans	100%	United Kingdom
Piraeus Wealth Management A.E.P.E.Y.	Wealth Management	100%	Greece
Praxis Finance PLC	SPE for securitisation of consumer loans	100%	United Kingdom
Axia Finance III PLC	SPE for securitisation of corporate loans	100%	United Kingdom
Praxis II Finance PLC	SPE for securitisation of consumer loans	100%	United Kingdom
Axia III APC LIMITED	SPE for securitisation of corporate loans	100%	United Kingdom
Praxis II APC LIMITED	SPE for securitisation of corporate loans	100%	United Kingdom
PROSPECT N.E.P.A.	Yachting Management	100%	Greece
R.E Anodus LTD	Consultancy Serv. for Real Estate Devel. and Inv.	100%	Cyprus
PLEIADES Estate S.A.	Property management	100%	Greece
Solum Ltd Liability Co.	Property Management	99%	Ukraine
Piraeus (Cyprus) Insurance Brokerage Ltd	Insurance brokerage	100%	Cyprus
O.F. Investments Ltd	Investment Company	100%	Cyprus
DI.VI.PA.KA S.A.	Administrative and managerial body of the Kastoria industrial park	58%	Greece
Piraeus Equity Partners Ltd.	Holding company	100%	Cyprus
Piraeus Equity Advisors Ltd.	Investment advise	100%	Cyprus
Achaia Clauss Estate S.A.	Property management	75%	Greece
Piraeus Equity Investment Management Ltd	Investment management	100%	Cyprus
Piraeus FI Holding Ltd	Holding company	100%	British Virgin Islands
Piraeus Master GP Holding Ltd	Investment advice	100%	British Virgin Islands
Piraeus Clean Energy GP Ltd	General partner of Piraeus Clean Energy LP	100%	Cyprus
Piraeus Clean Energy LP	Renewable Energy Investment Fund	100%	United Kingdom
Piraeus Clean Energy Holdings Ltd	Holding Company	100%	Cyprus
Curdart Holdings Ltd	Holding Company	100%	Cyprus

Company Name	Activity	% Holding	Country
Visa Rent a Car	Rent a car company	94%	Greece
Adflikton Investments Ltd	Property management	100%	Cyprus
Costpleo Investments Ltd	Property management	100%	Cyprus
Cutsofiar Enterprises Ltd	Property management	100%	Cyprus
Gravieron Ltd	Property management	100%	Cyprus
Kaihur Investments Ltd	Property management	100%	Cyprus
Pertanam Enterprises Ltd	Property management	100%	Cyprus
Rockory Enterprises Ltd	Property management	100%	Cyprus
Topuni Investments Ltd	Property management	100%	Cyprus
Albalate Ltd	Property management	100%	Cyprus
Akimoria Enterprises Ltd	Property management	100%	Cyprus
Alarcornaco Enterprises Limited	Property management	100%	Cyprus
Bulfinace E.A.D.	Property management	100%	Bulgaria
Zibeno I Energy SA	Electricity Generation through Renewable and conventional Resources company	83%	Greece
Kosmopolis A' Shopping Centers S.A.	Shopping Mall Management	100%	Greece
Parking Kosmopolis S.A.	Parking Management	100%	Greece
Zibeno Investments LTD	Holding Company	83%	Cyprus
Asset Management Bulgaria EOOD	Travel services, rentals and real estate management	100%	Bulgaria
R.E. Anodus SRL	Property Development and Management	99%	Romania
LINKLIFE FOOD & ENTERTAINMENT HALL A.E.	Restaurant business	100%	Greece
ATE Insurance S.A.	Insurance	100%	Greece
ATE Insurance Romania	Insurance	99%	Romania
Arigeo Energy Holdings Ltd	Renewable Energy Holding	100%	Cyprus
Exus Software Limited	Information Systems Trade	50%	Great Britain
Proiect Season Residence SRL	Property development	100%	Romania
Piraeus Jeremie Technology Catalyst Management AE	Mutual Funds Management	100%	Greece

Company Name	Activity	% Holding	Country
Geniki Finance S.A.	Financial services	100%	Greece
Geniki Bank S.A.	Banking Activities	100%	Greece
Geniki Insurance Agency S.A.	Insurance Brokerage	100%	Greece
Geniki Information S.A.	Information company	100%	Greece
KPM Energy S.A.	Electricity production through renewable resources	80%	Greece
Solum Enterprise LLC	Property management	99%	Ουκρανία
Center of Sustainable Entrepreneurship Excelixi S.A.	Consulting Services-Hosting-Professional Educational Services	100%	Greece
GENERAL BUSINESS MANAGEMENT INVESTITII SRL	Property management	100%	Romania
PIRAEUS BANK (CYPRUS) NOMINEES LIMITED	inactive	100%	Cyprus
MILLE FIN S.A	motor vehicle trading	100%	Greece
MILLENIUM A.E.D.A.K.	Mutual Funds Management	100%	Greece
Kion Mortgage Finance Plc	SPE for securitisation of mortage loans	100%	United Kingdom
Kion Mortgage Finance No.3 Plc	SPE for securitisation of mortage loans	100%	United Kingdom
Kion CLO Finance No.1 Plc	SPE for securitisation of mortage loans	100%	United Kingdom
R.E Anodus Two Ltd	Investment & Holding Company	99%	Cyprus
Beta Asset Management Bulgaria	Property management	100%	Bulgaria
SINITEM LLC	Property management	99%	Ukraine
TELLURION LTD	Holding Company	100%	Cyprus
TELLURION TWO LTD	Holding Company	99%	Cyprus
Entropia Ktimatiki S.A	Property management	67%	Greece

Associate Companies (equity consolidation method)

Name of Company	Activity	% Holding	Country
Crete Scient. & Tech. Park Manag. & Dev. Co. S.A.	Scientific and technology park management	30%	Greece
Evros' Development Company S.A.	European community programs management	30%	Greece
Project on Line S.A.	Information technology & software	40%	Greece
Alexandria for Development & Investment	Investment Company	22%	Egypt
Nike Shoes Company	Footwear Industry	39%	Egypt
APE Commercial Property Real Estate Tourist & develop. S.A.	Holding Company	28%	Greece
APE Fixed Assets Real Estate Tourist & Development S.A.	Property and Development Management	28%	Greece
Trieris Real Estate LTD	Property Management	23%	British Virgin Islands
European Reliance Gen.	General and life insurance and reinsurance	30%	Greece
APE investment Property S.A	Real Estate, development/tourist services	27%	Greece
Sciens International Investment and Holding S.A.	Holding Company	28%	Greece
Trastor Real Estate Investment Company	Real Estate investment Property	34%	Greece
Euroterra S.A.	Property Management	39%	Greece
Rebikat S.A.	Property Management	40%	Greece
Abies S.A.	Property Management	40%	Greece
ACT Services S.A.	Accounting and tax	49%	Greece
Exodus S.A.	Information technology & Software	50%	Greece
Good Works Energy Photovoltaic S.A.	Photovoltaic parks development and management	33%	Greece
Piraeus - TANEO Capital Fund	Venture capital fund	50%	Greece
AIK Banka	Financial services	21%	Serbia

Name of Company	Activity	% Holding	Country
Tiresias S.A.	Information Systems	22%	Greece
PJ Tech Catalyst Fund	Venture capital fund	30%	Greece
Pirrichos A.E.	Property management	51%	Greece
HELLENIC SEAWAYS A.N.E.	Maritime Transportation	23%	Greece
EUROAEK Real Estate	Real Estate holding company	33%	Greece