PIRAEUS BANK

Capital Adequacy and Risk Management Regulatory Disclosures on a Consolidated Basis for the Year 2015

(Pillar III)

Piraeus Bank Group

Piraeus Bank Group, established in Athens, offers a wide range of financial products and services. Piraeus Bank Group is present in 9 countries with total assets amounting to €87.5 bio and over 20,000 employees, combining its business activities with social responsibility, promoting its relations with its social partners on a regular basis and with targeted actions, while at the same time emphasizing on preserving the natural and cultural environment.

Being one of the four systemic banks in Greece, Piraeus Bank S.A. assumes initiatives for supporting healthy business models and actively participates in the recovery process of the Greek economy, on the basis of an adequate model for sustainable growth.

The present disclosures aim at providing information to investors and market participants about the risks faced by the Group, their management, as well as information about the Group's capital adequacy figures as of December 31st 2015.

ΤΡΑΠΕΖΑ ΠΕΙΡΑΙΩΣ
PIRAEUS BANK

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1 General Information

1.1 Introduction

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

In April 2015 Piraeus Bank S.A. acquired the good part of Panellinia Bank S.A. The good assets and liabilities of Panellinia absorbed by Piraeus Bank refer to the acquisition perimeter identified by the BoG and comprise €603 mio in liabilities, of which €504 mio customer deposits, €615 mio in assets, of which €261 mio net loans, 26 branches and 163 employees.

Piraeus Bank has successfully completed the integration of all 2012-2015 banking acquisitions in its systems (ATE Bank, Cyprus Bank, CPB, Hellenic Bank, Millennium Bank, Geniki Bank and Panellinia Bank) offering to all its customers a unique integrated banking system, enhancing economies of scale.

1.2 Piraeus Bank Group Governance Framework

Group Corporate Governance Structure

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

Furthermore, Piraeus Bank has established and applies Corporate Governance and Operating Procedures (“the Procedures”), which are an internal document of the Bank complementary to the provisions of its Articles of Association, which are its hierarchically superior operating procedures. The Corporate Governance and Operating Procedures incorporate the regulations arising from the mandatory statutory framework (Law 3016/2002, Law 4261/2014, Bank of Greece Governor's Directive (BGGD) No 2577/9.3.2006, Capital Market Commission Resolution No 5/204/14.11.2000, the provisions of the Athens Stock Exchange Regulations, etc.) and the best international corporate governance practices have been adopted, including the OECD Principles of Corporate Governance.

In the Corporate Governance and Operating Procedures document, there is a detailed reference to the responsibilities and functioning of the core administrative bodies of the Bank. Under the framework for the continuing optimization of the operational structure of Piraeus Bank and Group, specific topics have been assigned by the Board of Directors to these, amongst other, main comities:

- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Board Members’ Nomination Committee

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

www.piraeusbankgroup.com

Information concerning Corporate Governance is also available in the Annual Financial Report of 2015.

1.3 Compliance with Pillar III Disclosure Requirements

This report constitutes the Pillar III disclosures mandate of the regulatory framework under the Regulation (EU) 575/2013 for the year 2015 and is available on the Bank's official website at:

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

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

The report does not constitute either a form of financial statement or an evaluation of the future financial situation or business expectation for Piraeus Group. However, any differentiations between capital adequacy figures and those presented in the year-end 2015 consolidated financial statements of the Group, are sufficiently reasoned.

Risk Management Regulatory Disclosures Policy

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

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

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

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

1.4 Scope of Regulatory Disclosures

1.4.1 Accounting Consolidation

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

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

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

In order to assess the existence of power over the investee, the Group takes into account the voting rights, the potential voting rights, as well as any agreement (i.e. concession of management) between the Group and the investee or the Group and third parties which hold rights of the investee. The aforementioned rights are taken into account only when they are substantive, i.e. only when the Group has the practical ability to exercise them. Additionally, these rights should give the Group the ability to direct the relevant activities of the investee, i.e. the activities that mainly affect its returns.

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

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

1.4.2 Regulatory Consolidation

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

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

In Appendix I and II, 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.

1.5 Impediments to the Prompt Transfer of Funds

Regarding the Group's subsidiaries abroad there was a prohibition on behalf of the local central banks against any form of placements from the subsidiaries to the parent institution, given the unstable state of the Greek economy, which is gradually retracting. Additionally, the repayment of granted loans -even before their contractual maturity requires an approval granted by each local central bank.

In general, there are restrictions in dividend distribution regarding the Group's subsidiaries abroad, while there are no limitations in repaying loans granted from another subsidiary inside the Group, even before their contractual maturity. An exception to the above-mentioned general principles, are the Group's subsidiaries in Ukraine (that are not financial institutions) for which, up to June 30th 2016, based on the decision of the Central Bank of Ukraine, there are certain limitations on transferring funds or repaying loans with non-resident counterparties.

2 Capital Management

2.1 Capital Adequacy

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

Capital adequacy is monitored by the responsible bodies of the Bank and is submitted quarterly to the supervisory authority, the European Central Bank.

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

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

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

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

As of December 31st 2015 the Group's Common Equity Tier 1 ratio stood at 17.5%, far exceeding the minimum regulatory thresholds. On a fully loaded basis the ratio is estimated at 16.4%. The sale of the Group's subsidiary PB Egypt in November 2015 contributed to an increase of the Group's CET 1 ratio compared to September 30th 2015 by approximately 30 bps. Considering the forthcoming reduction in risk weighted assets as a result of the sale of discontinued operations, the Group's fully loaded CET1 ratio (pro-forma) is estimated at 16.6%.

The treatment of Deferred Tax Assets, based on Laws 4172/2013, 4302/2014, 4340/2015, played a critical role in the formation of the capital adequacy ratios in the Greek banking sector. Without taking into account the relevant provisions of the aforementioned laws, and after the sale of discontinued operations, the Group's fully loaded CET1 ratio is estimated at 10.7% (pro forma).

The Group's capital adequacy ratios, as well as its total capital requirements against credit, market and operational risks, as of December 31st 2015, were as follows:

Table 01: Selected Capital Adequacy Figures for PB Group – 31 Dec. 2015

	€ mio
Common Equity Tier 1 Capital (CET 1)	9,449
Tier 1 Capital (T1)	9,449
Total Own Funds	9,449
Risk Weighted Assets	54,036
Credit Risk	*50,171*
Market Risk	*443*
Operational Risk	*3,422*
Common Equity Tier 1 Capital Ratio (%)	17.5%
Tier 1 Capital Ratio (%)	17.5%
Capital Adequacy Ratio (%)	17.5%

2.2 Leverage

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

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

Following the successful recapitalization, the sound capital base of PB Group, along with the extensive deleveraging which is still reflected in the Greek banking system, drastically reduces the risk of excessive leverage. As a result, the leverage ratio of Piraeus Bank Group with reference date December 31st 2015 stood at 10.9%, significantly over the 3% minimum threshold currently applied by the competent authorities.

Table 02: Group Leverage Ratio – 31 Dec. 2015

	€ mio
Tier 1 Capital	9,449
Total Leverage Ratio Exposure	87,066
Leverage Ratio	10.9%

In Appendix IV, there are detailed disclosures on the Group's leverage ratio with reference date the December 31st 2015, following the adoption of Regulation (EU) 200/2016 of February 15th 2016.

2.3 Major Developments on Capital Adequacy

Background

On the basis of the agreement with the European Stability Mechanism (ESM) for an economic adjustment programme for Greece in August 2015, a reserve of €25 bio was formed, directed to the Greek banking industry in order to cover potential capital shortfalls and recovery costs. The first disbursement of €10 bio was placed on a separate ESM account, as part of the total €23 bio disbursement of the programme paid on the August 20th 2015.

In that context, the agreement included a Comprehensive Assessment (e.g. an Asset Quality Review of the Bank's loan portfolio and a stress testing exercise) performed by the ECB/SSM in order to quantify capital shortfalls, which were included in the abovementioned reserve.

Comprehensive Assessment

Piraeus Bank participated, as one of the 4 systemically important Greek banks, in the "Comprehensive Assessment" conducted by ECB, published on October 31st 2015.

The assessment was conducted by reference to a balance sheet as of June 30th 2015 and included:

(i) Review on the quality of the assets ("Asset Quality Review-AQR") which is a detailed assessment on the book value of the domestic loan portfolio and
(ii) Stress test under the assumptions of a "baseline" and an "adverse" scenario

The results indicated that on a consolidated basis, the Bank required enhancement of its capital base (before any possible actions to mitigate the capital shortage) by:

(i) €2,213 mio under the "baseline" scenario, taking into account the AQR and stress test results.
(ii) €4,933 mio under the "adverse" scenario, taking into account the AQR and stress test results.

Restructuring Plan

Under EU state aid rules, additional capital requirements should initially be covered from the market and/or other private sources. Based on the Bank Resolution and Recovery Directive, additional state support has to be approved under EU state aid rules before it is granted, and on the basis of an updated restructuring plan. Piraeus Bank submitted an updated Restructuring Plan, which was approved by the European Commission on November 29th 2015.

For the successful implementation of the restructuring plans, Monitoring Trustees have been appointed to banks that received state aid. Monitoring Trustees are working under the direction of the European Commission according to the terms (commitments) that have been agreed between the Greek government and the Institutions. KPMG has been named as the Monitoring Trustee for Piraeus Bank restructuring plan implementation process.

Share Capital Increase

In December 2015, Piraeus Bank announced the full coverage of the share capital increase by an amount totaling to €2.6 bio with abolition of the pre-emption rights of existing shareholders; payment in cash; liabilities' capitalization equivalent to cash payment; and contribution in kind by issuing 8,672,163,482 new common dematerialized registered voting.

The new shares were allocated to qualified investors under private placement, to holders of Non Transferable Receipts under the Liability Management Exercise and to the Financial Stability Fund pursuant to the decision of the Bank's Extraordinary General Meeting of 15.11.2015 and in accordance with the decisions of the Board of Directors of 20.11.2015 and 02.12.2015.

Furthermore, in order to cover part of Piraeus' capital needs as they were assessed by the Asset Quality Review (AQR) and Stress Test released by the European Central Bank on October 31st 2015 under the adverse scenario, the Bank issued Contingent Convertible Bonds under the provisions of the Law in favour of the HFSF and the CA 36 / 02.11.2015 for an amount of € 2.0 bio.

The capital increase significantly enhanced Piraeus Bank Group's capital base, placing it among the strongest banks in terms of capital across Europe.

Mergers/Sales of subsidiaries

In April 2015 Piraeus Bank S.A. acquired the good part of Panellinia Bank S.A. The good assets and liabilities of Panellinia absorbed by Piraeus Bank refer to the acquisition perimeter identified by the BoG and comprise €603 mio in liabilities, of which €504 mio customer deposits, €615 mio in assets, of which €261 mio net loans, 26 branches and 163 employees. In June 2015 the integration of Panellinia Bank's systems into Piraeus Bank's uniform information systems environment was completed.

In November 2015, Piraeus Bank concluded the sale of its stake (98.5%) in its Egyptian subsidiary, Piraeus Bank Egypt S.A.E. to Al Ahli Bank of Kuwait K.S.C.P..

2.4 Regulatory Framework

Banking Union - Single Supervision

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

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

Single Rulebook

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

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

The CRD IV Regulatory Framework

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

Within the new framework:

- the quality of the regulatory own funds is enhanced, as emphasis is given on Common Equity Tier 1 capital (CET 1),
- the following capital adequacy ratios are defined, based on the updated regulatory capital definitions:
  - for the Common Equity Tier 1 ratio, a minimum threshold of 4,5%,
  - for the Tier 1 ratio, a minimum threshold of 6%,
  - for the Total Capital ratio, a minimum threshold of 8%.
- financial institutions have to maintain capital buffers comprising of Common Equity Tier 1 capital, for which a transitional period up to 2018[1] is provided,
- financial institutions have to monitor their credit valuation adjustment risk and maintain adequate capital (CVA),
- financial institutions have to monitor their central counterparty risk and maintain adequate capital,

[1] According to the Bank of Greece Executive Committee Acts 55/18.12.2015 and 83/18.03.2016, the countercyclical capital buffer was set at 0% for the first and second quarter of 2016. Based on the transitional provisions of Law 4261/2014, the capital conservation buffer for 2016 is set at 0,625%.

- financial institutions calculate their Leverage Ratio with a minimum threshold of 3%,
- financial institutions calculate their Liquidity Coverage Ratio (LLR) and Net Stable Funding Ratio (NSFR) for monitoring liquidity risk.

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

Bank Resolution and Recovery Directive (BRRD)

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

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

Single Resolution Mechanism

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

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

2.5 Regulatory Own Funds

Piraeus Bank Group's Regulatory Own Funds for 2015, as defined in Regulation (EU) No 575/2013, are comprised of Common Equity Tier 1 capital (CET 1).

Common Equity Tier 1 capital includes:

- Shareholders' equity (common shares) plus share premium and Contingent Convertible Bonds,
- Reserves and the value adjustments of the balance sheet items,
- Retained profit or loss and minority interests.

Treasury Shares are excluded from CET 1 capital.

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

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

Following the recapitalization and the Liability Management Exercise (LME), Piraeus Group's Regulatory Own Funds do not include Tier 2 capital.

Tables 03 and 04 present the Group's Regulatory Own Funds structure as well as their reconciliation with Accounting Own Funds, as depicted in the Annual Financial Report of 2015.

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

	31.12.2015	31.12.2014
Share Capital	2,619,955	1,830,594
Share Premium	13,074,688	11,393,315
Contingent Convertible bonds	2,040,000	0
Less: Treasury Shares	-460	0
Minority Interest	112,882	112,081
Available for Sale Reserve	43,779	-38,384
Legal Reserve and Other Reserves	-29,683	-54,069
Retained Earnings	-7,840,635	-5,921,295
Less: Intangible Assets	-275,031	-313,873
Total Regulatory Adjustments on Common Equity Tier 1 Capital	-296,039	-123,647
Total Common Equity Tier 1 Capital	**9,449,455**	**6,884,722**
Hybrid Capital	0	16,373
Total Regulatory Adjustments on Additional Tier 1 Capital	0	-16,373
Total Additional Tier 1 Capital	**0**	**0**
Total Tier 1 Capital	**9,449,455**	**6,884,722**
Subordinated Debt	0	75,603
Total Tier 2 Capital	**0**	**75,603**
Total Regulatory Own Funds	**9,449,455**	**6,960,325**

Table 04: Reconciliation of Accounting Own Funds with Regulatory Own Funds – 31 Dec. 2015

	Financial statements note	€ 000's
Share Capital	42	2,619,955
Share Premium	42	13,074,688
Contingent Convertible bonds	42	2,040,000
Less: treasury shares	42	(460)
Total Reserves	43	(7,766)
Amounts recognized directly in equity relating to non-current assets from discontinued operations	43	21,863
Retained earnings/ losses	43	(7,840,635)
Equity Attributable to PB Shareholders		**9,907,644**
Minority Interests		**112,882**
Total Own Funds (before regulatory adjustments)		**10,020,526**
CET1 Regulatory adjustments		**(571,070)**
Goodwill	27 & 14	(14,733)
Intangible Assets	27 & 14	(260,298)
Minority Interest (40% for 2015)		(41,954)
DTAs that do not arise from temporary differences and existed prior to 31/12/2013 (10% for 2015)	39	(26,387)
DTAs that do not arise from temporary differences and were formed following 31.12.2013 (40% for 2015)	39	(208,204)
Other Regulatory Adjustments to Common Equity Tier 1 Capital		(19,494)
Common Equity Tier 1 capital		**9,449,455**
Tier 1 Regulatory Adjustments		**0**
Tier 1 capital		**9,449,455**
Regulatory Own Funds Adjustments		**0**
Regulatory Own Funds Total		**9,449,455**

2.6 Analysis of Capital Requirements

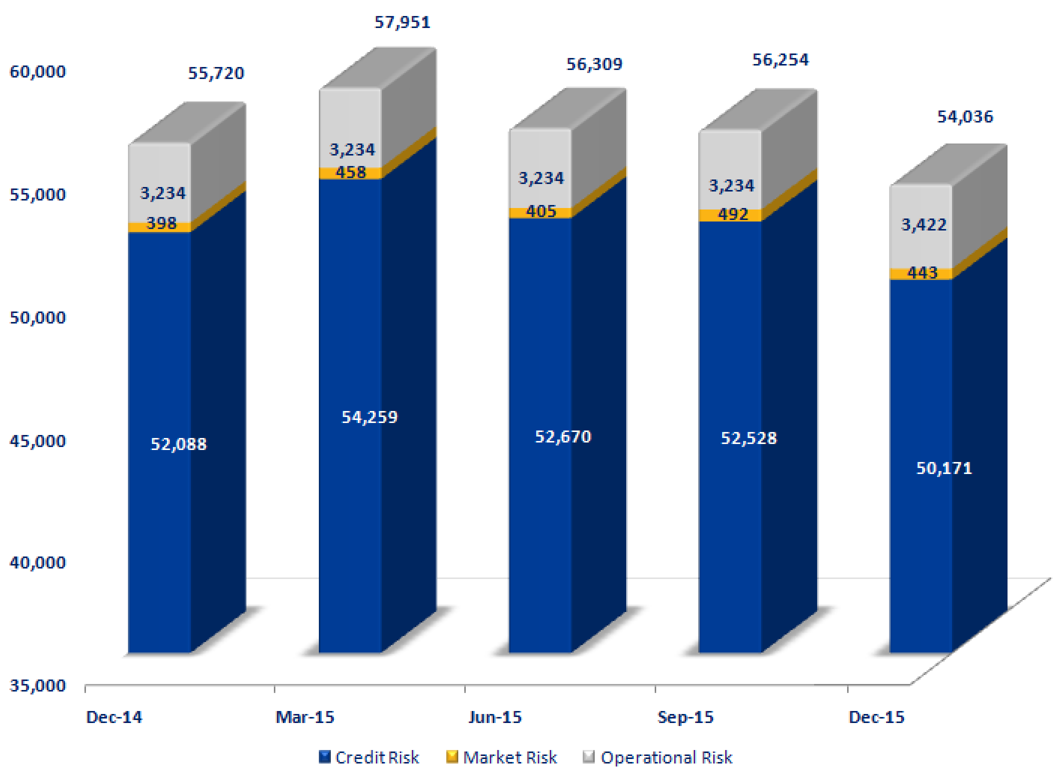
The Group's capital requirements for year-end 2015, amounted to €4.3 bio. Credit risk accounts for 93% of total risk weighted assets, operational risk accounts for 6%, while market risk for 1% of the Group's total risk weighted assets. The Group's risk weighted assets and capital requirements as of December 31st 2015 follow:

Table 05: Pillar I Risk Weighted Assets and Regulatory Capital – 31 Dec. 2015 (€ '000s)

	Risk Weighted Assets	Regulatory Capital[1]
Credit Risk and Counterparty Credit Risk	**50,273,546**	**4,021,884**
Central governments or central banks	4,857,104	388,568
Regional governments or local authorities	37,318	2,985
Public sector entities	36,147	2,892
Institutions	321,207	25,697
International organisations	0	0
Corporates	8,713,696	697,096
Retail	2,462,637	197,011
Secured by mortgages on immovable property	8,533,244	682,660
Claims in the form of CIU	104,974	8,398
Items associated with particularly high risk	36,683	2,935
Equity Exposures	683,097	54,648
Exposures in default	19,833,479	1,586,678
Other items	4,653,962	372,317
Market Risk	**340,037**	**27,203**
Debt Instruments	106,578	8,526
Equity	26,425	2,114
Foreign Exchange	187,461	14,997
Credit Valuation Adjustment	19,155	1,532
Rest	417	33
Operational Risk	**3,422,114**	**273,769**
Total	**54,035,697**	**4,322,856**

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

Graph 01: Risk Weighted Assets Evolution (€ mio)



During the financial year of Dec. 2014 to Dec. 2015, the total risk weighted assets of the Group were reduced by €1.7 bio, as a result of a series of actions intended to manage and safeguard the balance sheet.

It should be noted that, in March 2015, there was an increase of the Group's total risk weighted assets, as a result of the implementation of L. 4172/2013 regulating the treatment of Deferred Tax Assets. More specifically, article 27A allowed Greek banks to handle selected Deferred Tax Assets as "non dependent on future profitability". As a result, these deferred tax assets are no longer being deducted from the Common Equity Tier 1 capital of the Group, but instead they are risk weighted according to the provisions of article 39 of the CRR, thus strengthening the Group's Regulatory Own Funds, but increasing its total risk weighted assets.

The sale of the Bank's Egyptian subsidiary (PB Egypt), resulted in a significant reduction of €1.044 bio in the Group's total risk weighted assets in December 31st 2015.

2.7 Internal Capital Adequacy Assessment Process (ICAAP)

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

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

The ICAAP is well integrated with the Group's risk management framework. It is executed by the Risk Management Unit, while the design and the implementation of the ICAAP are under the ultimate responsibility of the Board of Directors and in particular the members of the Risk Management Committee (RMC).

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

ICAAP consists of a planning and a monitoring component. The former is conducted on an annual basis and concerns the assessment of the Group's capital adequacy, considering both Pillar I and ICAAP capital requirements, the available capital resources and the respective projections going forward in line with the business plan. The latter component is essential for the ongoing monitoring and reporting with respect to the assessment of the various ICAAP elements of the Group, covering both risk profile and capital adequacy, as well as key financials (balance sheet & income statement) and the respective drivers.

The entities in scope of Piraeus Group's ICAAP are all entities covered in Pillar I, i.e. all Group entities (domestic and overseas) within the regulatory consolidation perimeter. Within its risk management framework, Piraeus Group identifies the risks that derive from its current and planned operations, also considering relevant regulatory guidance. Those risks are formally defined within the Group's Risk & Capital Strategy and assessed in terms of materiality within the ICAAP taking into account their association with the individual entities of the Group.

The existing risk management approaches for measurement, mitigation and control are utilized for the assessment of the risk types in scope of ICAAP, while the estimation of the internal capital leverages the respective capabilities of the Group and methodologies and metrics utilized within the regular risk management procedures, including stress testing.

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

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

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

3 Risk Management Framework

The Group places particular emphasis on the effective monitoring and management of risks with a view to maintaining stability and continuity of its operations. In this context, the competent bodies of the Bank regularly record and reassess the Business Strategy as regards assuming, monitoring and managing risks, and distinguishing transactions and customers by level of risk; they determine appropriate maximum acceptable limits of risk-taking overall by each type of risk, refining each of these limits, they also establish limits for discontinuing loss- making activities or for taking other corrective actions.

3.1 Objectives

The general objectives of the risk management functions within the Group are the following:

- The successful management of the adverse effects of the prolonged Greek financial crisis on the Group’s financial position and risk profile, in order to restore and safeguard its long-term viability and development. Strengthening of the Group’s liquidity base, preserving its capital adequacy and managing effectively its Non-Performing Loans, are key objectives in this context.
- The achievement of the Group’s strategic business objectives, including supporting the recovery of the Greek economy, through the provision of financing to certain sectors.
- The fulfillment of the objectives of the recently revised restructuring plan and the associated commitments to Directorate-General Competition of the European Commission, the Single Supervisory Mechanism, the Hellenic Financial Stability Fund, Ministry of Finance and Bank of Greece and the achievement of the Group’s goal to return to private ownership.
- The adoption of best practices that correspond to the size, the risk profile and the business strategy of the Group.
- The continuous alignment and compliance of the risk and capital management practices with the regulatory requirements.
- The support of the decision making process at Group level, optimal capital allocation and the risk adjusted yield per business unit/customer/subsidiary.
- The support of business units to improve their operations and to achieve their business goals.
- The establishment of limits that maintain risk within acceptable levels, according to the risk appetite of the Group.
- The contribution in the constant improvement of the Groups’ corporate governance model.
- The enhancement of risk awareness and the further development of a risk culture across all levels of the Group.

Aiming to align its business strategy with its risk appetite framework set by the Board of Directors, Piraeus Bank Group possesses the appropriate risk management framework which consists of risk and capital strategy, policies, procedures and methodologies for all risk areas and is supported by the necessary infrastructure.

The Group, by applying best practices on risk management, aims at implementing its business strategy, while fully complying with supervisory commitments, regulatory requirements and the approved Risk Appetite Framework.

The Risk Appetite Framework consists of qualitative and quantitative statements (indicators) and limits which are continuously monitored and regularly reported to Senior Management in order to ensure the Group's seamless operation, implementation of its strategic goals and profitability. This set of statements and limits covers all risk management areas, such as capital adequacy, credit risk, market risk, liquidity risk and operational risk.

The Group's risk profile for 2015, particularly with respect to liquidity risk and capital adequacy, was negatively affected by the prolonged adverse macroeconomic conditions, systemic liquidity crisis and imposed capital controls, resulting to a deterioration of both its liquidity and capital base beyond the Group’s Risk Appetite. The Group has been adequately recapitalized following the Comprehensive Assessment of the four Greek Systemic Banks which was conducted by the Single Supervisory Mechanism. As a result of the successful recapitalization, the Group’s “Common Equity Tier 1 ratio (CET1)” stood at 17.5% as of December 31st 2015 (31.12.2014: 12.4%) within the Group’s approved Risk Appetite Framework. However, as reflected by the use of ELA (Emergency Liquidity Assistance) as well as the level of the “Net Loans to Deposits” ratio that stood at 130% at year-end 2015 (31.12.2014: 103%), the Bank’s liquidity position remains beyond its risk appetite.

During 2015, the Group Recovery Banking Unit became fully functional, hence rendering the management of distressed loans more effective. The Unit currently manages almost the total Non-Performing portfolio of the Bank, while it develops innovative products and offers customer-specific solutions, tailored to match the viability of the forbearance measures as well as the financial capacity of the client. The Unit's effectiveness is being monitored by the Board of Directors, the Risk Management Committee and the Group Risk Management unit.

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

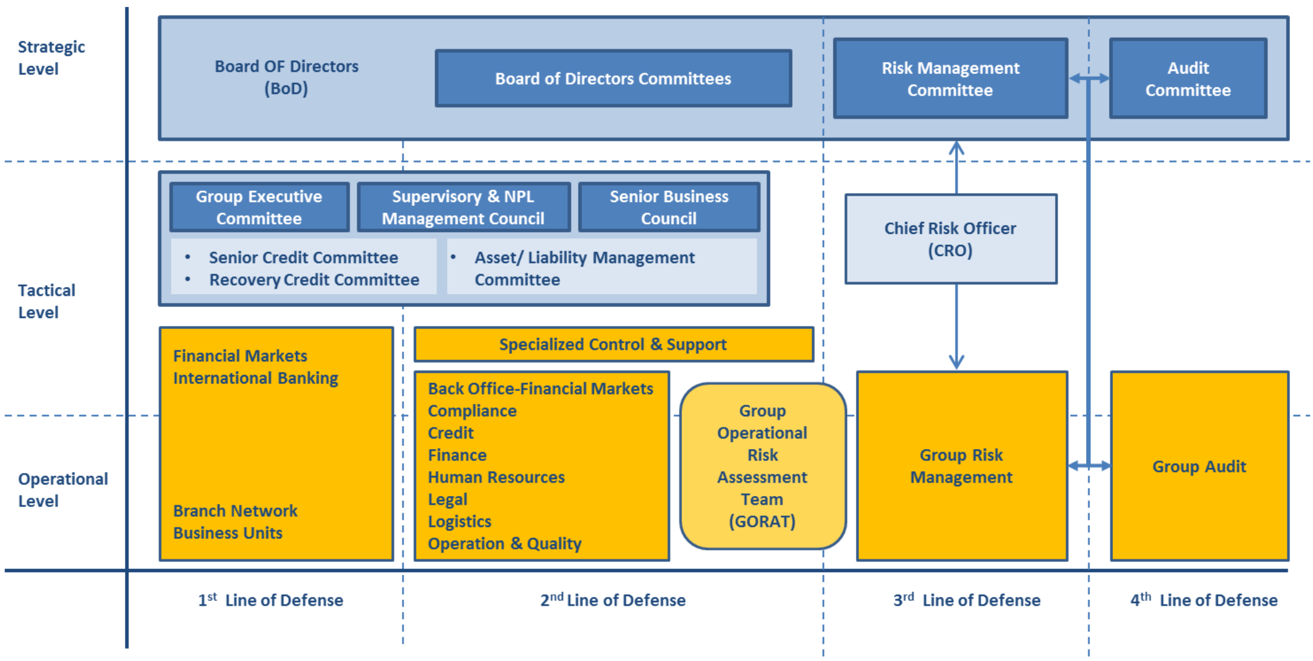
- maintains a conservative approach to the undertaking of new risks, through strict credit criteria in customer selection and repayment ability,
- focuses on business and retail lending, predominantly in the Greek market, and does not aim at high-risk investment activities such as complex products and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

3.2 Risk Management Structure and Organization

3.2.1 Governance – Four lines of Defense

In accordance to the Risk Management Strategy, the governance of risk management is organized into two main dimensions. The first dimension classifies Group activities into four lines of defense, while the second dimension refers to the hierarchical levels upon which these activities take place.

Graph 02: Risk Management Organizational Structure – 4 Lines of Defense



More specifically:

- The **1st line of defense** is mainly performed by the business/sales and support units. Credit risk taking activities take place in the branch network and the business centers as well as the corporate and retail credit units, while Financial Markets sector mainly undertakes market and liquidity risk. All units are operational risk owners due to the nature of operational risk. All units of the first line of defense are directly responsible for the risks they undertake within their set of activities in compliance with the Group's standards and policies. The committees with responsibilities falling under the first line of defense perform such activities at the tactical level, while the BoD performs first line of defense activities at the strategic level.

- The **2nd line of defense** includes mainly the specialized control & support Units, such as: Group Credit, Back Office Financial Markets, Group Compliance, Group HR, Group IT, Group Legal, Group Finance, Group Organization & Operation Quality etc.
  - ✓ Group Credit forms the second line in the credit approval process, thereby ensuring the ex-ante credit risk control.
  - ✓ Back Office Financial Markets provides support to Financial Markets operations, within the existing regulatory framework and the principles defined by the Bank.

  Committees with responsibilities that fall into the second line of defense, perform such activities at tactical level, while the Board of Directors performs respective activities at strategic level.
- The **3rd line of defense** mainly involves the activities of Group Risk Management at operational and tactical Level. Group Risk Management is responsible for:
  - ✓ The use of models for the identification, assessment and monitoring of the undertaken risks.
  - ✓ The provision of support to the relevant units regarding risk management issues.
  - ✓ The specification (in cooperation with the responsible units) of risk appetite limits and defining respective parameters (type of risk, counterparty, industry, country, currency, product type), their monitoring and maintenance, through the establishment of appropriate processes.
  - ✓ The definition of criteria for the early warning system and the recommendation of the appropriate processes and focused monitoring measures, depending on the nature of risks.

  The BoD, via the Risk Management Committee, performs respective activities at strategic level.
  The responsibilities of the interdepartmental Group Operational Risk Assessment Team (GORAT) are placed between the second and third line of defense.
- The activities of the **4th line of defense** are performed by the Group Audit. Findings and recommendations of Group Audit are reported to Audit Committee, which performs the activities of the 4th line of defense at strategic level and communicates with the Board of Directors.

The second governance dimension is comprised of three hierarchical levels: strategic, tactical and operational.

- Strategic Level: includes risk management functions performed by the Board of Directors. These include the approval of the Risk Management Strategy, ascertaining the undertaken risks definitions, the risk profile and the risk appetite. The Board of Directors has the ultimate responsibility for the establishment and implementation of the risk management framework.
- Tactical Level: includes risk management functions performed by Senior Management and Committees, i.e. the approval of risk policies and processes for managing risks and establishing adequate systems and controls to ensure that the overall risk and reward relation remains within acceptable levels.
- Operational Level: includes risk management activities performed across all units of the Group. Risk management at this level is implemented by means of appropriate controls, incorporated within the relevant operational procedures and guidelines set by Senior Management.

3.2.2 Risk Management Committee

The Risk Management Committee is responsible for exercising its duties as they are defined by the rules of procedure, in order to assist the Board of Director's work with regard to the following:

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

In addition, the Risk Management Committee monitors the independence, adequacy and effectiveness of Group Risk Management.

The Risk Management Committee is designated by the Bank's Board of Directors and consists of non-executive members of the BoD, who possess the appropriate knowledge, skills and specialization, in order to comprehend and monitor the risk management strategy of the institution. The Chairman of the Committee is designated by the BoD and must possess significant experience in commercial banking and preferably in risk and capital management, as well as familiarity with the local and international regulatory framework. The capacity of the BoD Chairman is incompatible with the RMC's Chairman, while the RMC's Chairman cannot be simultaneously Chairman of the Audit Committee.

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

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

The Group's Chief Risk Officer is designated by the BoD as the Executive Secretary of the Committee and exercises duties as designated by the applicable regulatory framework (currently the Bank of Greece Governor's Act 2577/2006). The Group's Chief Risk Officer reports directly to the Risk Management Committee and is subject to the audit of the Group Internal Audit.

The Risk Management Committee's mission is to:

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

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

- Determines the risk management and capital strategy, in a manner appropriate towards the achievement of the business objectives, at Bank and Group level.
- Ensures the incorporation of the risk management framework in the business decision-making process (e.g. decisions pertaining to the introduction of new products and services, the risk-adjusted pricing of products and services, as well as the measurement of the risk adjusted performance and the capital allocation) at a Group level.
- Determines principles and rules that shall govern the risk management process, regarding the identification, assessment, measurement, monitoring, control and mitigation of risks, in accordance with the applicable business strategy and adequacy of available resources.
- Determines the type, quantity, form and frequency of communicated information regarding issues related to risk management.
- Evaluates annually, on the basis of the report delivered by Group Risk Management and the appropriate report by Group Internal Audit:
  - ✓ the adequacy and the effectiveness of the risk management policies of the Bank and Group, particularly compliance with the risk appetite limits,
  - ✓ the appropriateness of the limits, the adequacy of provisions and the overall adequacy in relation to the type and exposure level of risks undertaken.
- Formulates proposals and recommends corrective measures to the BoD in case it detects a weakness or any deviations in the implementation of the risk management strategy.
- Shapes the appropriate internal environment, so as to ensure that each officer and employee of the Bank understands the nature of risks related to his daily activities, within the framework of execution of his duties, recognizes the need for effective and timely management and facilitates the adherence to internal control mechanisms that are established by the Management of the Bank.
- Sets out, annually or more frequently if required, revision proposals and corrective actions to the BoD concerning the risk management strategy and the risk appetite framework, including the assessment of appropriateness of the business / restructuring plan of the Bank in relation to the risks undertaken.
- Ensures the adequacy of the available resources in technical means, such as the appropriate methodologies, modeling tools, data sources and competent personnel in order to assess: a) any changes in the quality of

assets under different assumptions (macroeconomic and market) and b) the risks that such changes may set in the financial stability of the institution.

- Proceeds annually with the review of the applicable Credit Policy and approves its amendments in cases where the modification of the approved risk appetite framework is required.
- Ensures the appropriate supervision and control mechanisms for the monitoring and the effective management of troubled assets, which are specified in such a way that it includes:
  - ✓ non-performing loans (NPLs& NPEs),
  - ✓ loans under restructuring or subject to re-negotiation,
  - ✓ exposures that are written-off for accounting purposes, but the Bank still seeks their partial or full recovery.

3.2.3 Group Risk Management

Group Risk Management is an independent administratively unit in relation to units of the Bank, which have executive responsibilities, or responsibilities for making and accounting for transactions, and carries out the responsibilities of the Risk Management and Credit Risk Control Unit in accordance with the Bank of Greece's Act No 2577/2006 and the capital requirements directive (CRD IV).

Group Risk Management is responsible for the design, specification and implementation of the Bank's policy on risk management and capital adequacy in accordance with the directions of the Board of Directors, which covers the full range of Bank activities for all types of risk.

The Group's Chief Risk Officer supervises Group Risk Management. For issues of responsibility he reports to Management and to the Risk Management Committee and /or through it, to the Bank's Board of Directors.

The Board of Directors appoints the head of the Group Risk Management Sector upon recommendation of the Risk Management Committee and his appointment or replacement following the approval of the Risk Management Committee are communicated to the Bank of Greece.

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

The responsibilities of the Group Risk Management consist mainly of:

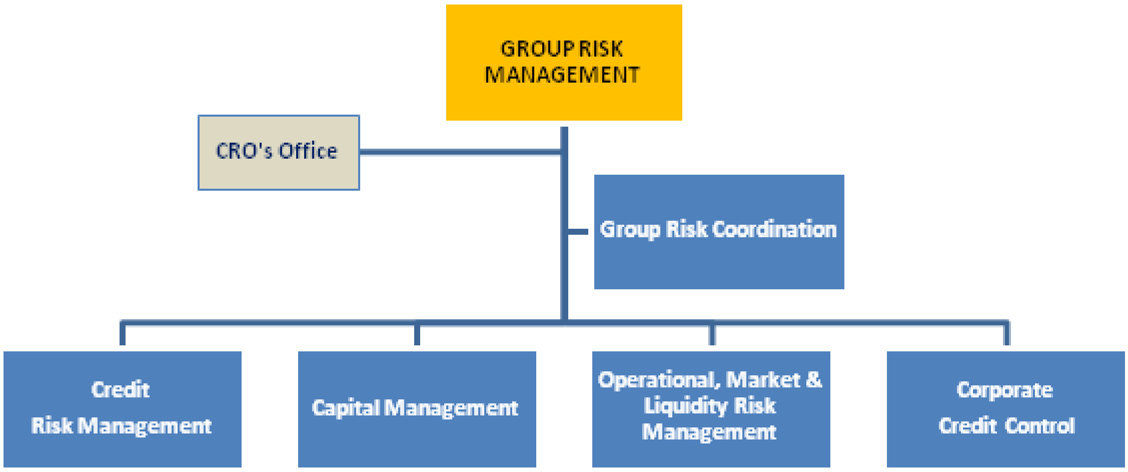
- shaping and recommending an overall risk management framework and more specifically strategy, policies, procedures and methodologies in accordance to the strategic directions the Board of Directors has set,
- defining policies and procedures relating to:
  - ✓ definition, recognition, measurement, assessment, mitigation and reporting of risk exposures,
  - ✓ definition, allocation and monitoring of appropriate risk appetite limits in collaboration with the relevant committees and executive units,
  - ✓ allocation of capital between business units,
  - ✓ developing, implementing and periodic evaluation of methods and tools of pricing of products and services, adapted for risk and training of business units in their use,
- developing, implementing and periodically reviewing the adequacy of the methods, criteria, models and systems for timely detecting, measuring, monitoring, compensating, reducing, reporting and overall management of its risk exposures, or risks the Bank may be exposed to,
- recognizing and measuring all forms of risk the business units of the Bank assume and providing detailed information of risks to these units in order to manage them effectively, among other including risks arisen during the development of new products and services,
- regularly checking the validity of the assumptions and estimates the Contingency Funding Plan and conducting regular exercises of the overall Plan,
- the fundamental participation in the development and proposal of the Bank's Recovery Plan, along the guidelines of the regulatory framework,
- conducting periodic and/or ad-hoc stress tests with scenarios tailored to the nature and scope of the Bank's operations for all types of risk,
- drafting periodical reports on matters regarding risk management, to provide regular and adequate information to Management and the Board of Directors, and to satisfy supervisory requirements arising from the relevant instructions of the Governor of the Bank of Greece directives and Acts and Supervisory Authorities,

- participating actively and effectively in the strategic planning and budget processes through the participation in all the relevant committees, in order to evaluate the compatibility with the approved risk appetite and capital adequacy levels,
- the fundamental participation, materialization and the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) of the Bank and Group and their degree of integration in Bank and Group operations and activities, as well as their periodic re-evaluation.
- making suggestions for developing the Group's policy on banking supervision and compliance with relevant risk management and capital adequacy guidelines as established by the Supervisory Authorities,
- instilling awareness of risk exposure and promoting a risk management culture at each hierarchical level of the Group.

The duties of the Chief Risk Officer of Group Risk Management include:

- reporting annually to the Board of Directors through the Risk Management Committee on matters falling under the jurisdiction of the Group Risk Management Sector,
- participating in the supervisory authorities' internal capital adequacy assessment process of the adequacy of internal and supervisory capital,
- participating in the decision-making process for determining the financing terms, which are not subject to pre-determined or general parameters,
- participating in the formulation of recommendations and proposals to Management and, through the Risk Management Committee, to the Bank's Board of Directors regarding changes in the composition of the Bank's portfolios, for restructuring/settling existing loans and differentiating the policy for provisions,
- monitoring the implementation of risk management policies and, also, providing adequate reports to the Risk Management Committee, at least on a monthly basis, so that the committee monitors properly and advises the BoD as to the risk exposure/profile and the future risk and capital management strategy,
- participating as a member in the Group Executive Committee,
- participating as a member in the basic executive committees of the Bank (ALCO, Supervisory & NPL Management Council, Senior Business Council, Senior Credit Committee, Recovery Credit Committee),
- monitoring the compliance with the approved risk appetite limits. Any deviations from the limits are reported timely to the Risk Management Committee,
- delivering an opinion on the amendments of the credit policy prior to their introduction for approval by the Executive Committee (or the Risk Management Committee in case that the amendment pertains to the risk appetite) and monitoring its implementation,
- supervising and coordinating the activities of other risk management service units of the Bank and its Group companies, when assigned to do so by Management.

Graph 03: Group Risk Management Structure



Credit Risk Management Unit

Is responsible for the design, specialization and implementation of strategy and policies on credit risk and capital management issues, according to the guidelines of the Board of Directors and specifically the Risk Management Committee (RMC). For these purposes, it uses the appropriate methods for the management of risks, which are undertaken in general by the financial institution or to which it may be exposed, including the use of models for their prediction, acknowledgment, measurement, monitoring, hedging, reduction and reporting. The committee is also responsible for the development of the strategic framework for credit risk, defines the criteria for early warning system and recommends the appropriate procedures and measures for their monitoring. On a regular basis, it drafts the required reports for the adequate information of the Management and the Board of Directors. It also coordinates the activity of credit risk management units of subsidiary corporations of the financial sector.

Operational, Market and Liquidity Risk Management Unit

The unit designs, specializes and implements an effective framework (of policies, methodologies and procedures) concerning market risk, liquidity risk and operational risk management on the basis of the Risk Management Strategy of the Group and relevant requirements of supervisory authorities. It is the unit in charge on matters relating to the Group's liquidity risk, the monitoring and control of respective limits, as well as the coordination of the Internal Liquidity Adequacy Assessment Process (ILAAP). In addition, the unit is responsible for the formation and revision of the Bank's Recovery Plan. On a regular and on an ad hoc basis -in case of a stressed period-, the unit bears the responsibility of informing all relevant Committees and the Group's management. Additionally, it is the responsible unit regarding risks to liquidity as well as in charge of shaping and calibrating the Bank's Recovery Plan.

Capital Management Unit

The unit has the responsibility for designing and implementing the strategy and policies in matters of capital adequacy and in managing the regulatory and internal capital of the Group, according to the general direction given by the Board of Directors and, more specifically, the Risk Management Committee (RMC). The unit also has the key responsibility of coordinating and participating in the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar II. It is also responsible for monitoring and managing the capital requirements stemming from the business activities and risk undertaking from the Bank and its subsidiaries. Its activities contain the calculation, analysis, monitoring and reporting to the Management, BoD and responsible supervisory authorities of the Capital Adequacy Ratios and Internal Capital against the risks undertaken by the Group. It supports business units on matters concerning the regulatory framework and monitors/coordinates the activity of risk management units of the Group's subsidiaries on matters of its authority.

Corporate Credit Control Unit

The unit has the responsibility of designing and implementing the evaluation and overview of the credit risk embedded in the corporate portfolio of the Group, according to the general directions provided by the Board of Directors through the Risk Management Committee (RMC). It performs independent systematic evaluations of the quality of approved loan exposures (post-approval) as well as of the monitoring practices of credit risk embedded in the corporate portfolio of the Bank, its subsidiaries and of the Leasing and Factoring subsidiaries in Greece and abroad. It submits to the RMC the proposed amending actions and practices for approval, for the timely and effective management of high (quantitative and qualitative) credit risk, thus reducing the expected loss, while at the same time drafts the necessary reports on matters of its authority for the sufficient information of the management and the Board of Directors. It also advises on complex credit limits (ex-approval) for the sufficient information of the Chief Risk Officer (CRO), being a member of credit and restructuring committee. The unit is also responsible for updating the Corporate Credit Control operations and procedures manual, which includes the annual action plan on an annual basis.

Group Risk Coordination Unit

Responsible unit for the supervision of Risk Management Framework of the Group's Subsidiaries under scope (International Banks and domestic Financial Institutions) with main objective the achievement of harmonization of the Risk Management Framework and practices across the Group. In this context, the Unit evaluates the Subsidiaries' Risk Management Framework (in particular the Strategy, policies, procedures and methodologies), provides guidelines and continuous support and carries out on-site visits. The Unit also monitors the implementation of the action plans and reports on the harmonization level, per Subsidiary, to the Group Risk Management Committee.

Finally, the Unit coordinates the process of developing and review of the a) Risk and Capital Strategy, b) Risk Appetite Framework and c) Risk Based Pricing methodology of the Group.

In order to accomplish the above, the Unit cooperates with the Group and Subsidiaries' Risk Management Units, as well as other Group Units involved in the broader risk management function.

4 Credit Risk and Counterparty Credit Risk

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

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

Within Group Risk Management, there is the Credit Risk Management Division which operates with the mission of continuous monitoring, measurement and control of the Group's credit risk exposures against enterprises, individuals, banks, central governments and countries.

Gross loans before provisions amounted to €68.1 bio at year end 2015. Total loans in Greece reached €63.9 bio, while loans from international operations amounted to €4.2 bio.

Furthermore by business line, Group business loans amounted to €44.5 bio, accounting for 65% of the total loan portfolio, while retail loans amounted to €23.5 bio, or 35% of the total loan portfolio.

The Group's loans in arrears over 90 days ratio was 39.5% at the end of December 2015, while the respective ratio for Greek operations stood at 39.4%. It should be highlighted that despite the adverse economic environment in which the Group operated, the fourth quarter of 2015 the amount of NPL formation decelerated, consequently resulting to the decline in loans in arrears above 90 days ratio by approximately 100 bps compared to September 2015.

The Group's coverage ratio of loans in arrears over 90 days by cumulative provisions reached 65.0% and respectively for Greece 64.9%, resulting in a particularly high level of cumulative provisions over gross loans ratio of the Group, which reached 25.7%.

The table below presents the analysis of the carrying amounts of December 2014 and December 2015, as well as the y-o-y average of the relevant accounting categories. It includes all on and off balance sheet assets, including discontinued operations.

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

	31.12.2015	31.12.2014	Balance Average
Loans and advances (after provisions)	**51,223,740**	**57,143,022**	**53,267,850**
Loans to individuals	**23,743,666**	**24,875,195**	**24,352,135**
Mortgages	16,872,987	17,410,191	17,164,757
Consumer/personal loans	5,487,723	5,976,638	5,752,956
Credit cards	1,382,956	1,488,366	1,434,422
Corporate loans	**45,106,908**	**48,108,227**	**45,732,524**
Provisions	**17,626,834**	**15,840,400**	**16,816,809**
Other receivables	**36,304,476**	**32,146,674**	**34,028,089**
Nostro, Sight Accounts, Loans and receivables to Credit Institutions	2,053,991	1,567,538	2,197,380
Derivative financial instruments - assets	437,684	508,928	470,768
Debt instruments of Trading Portfolio	246,987	305,249	271,619
Debt Securities – Receivables	17,021,854	14,400,421	15,090,606
Debt Instruments Available for Sale	3,147,638	2,598,830	3,094,148
Debt Instruments Held to Maturity	24,059	49,150	42,299
Investment in Associates	297,738	298,603	281,038
Other assets	13,074,525	12,417,955	12,580,232
Off-balance sheet items	**3,362,811**	**3,705,919**	**3,534,365**
Letters of guarantee	2,964,432	3,142,020	3,053,226
Letters of credit	30,316	50,710	40,513
Unused credit limits	368,063	513,189	440,626
Total	**90,891,027**	**92,995,615**	**90,830,304**

Table 07: Gross Loans[1], Debt Securities and Off-Balance Sheet Items by Residual Maturity – 31 Dec. 2015 (€ '000s)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Corporate Loans	**436,195**	**1,812,755**	**2,433,004**	**14,953,337**	**25,471,617**	**45,106,908**
Retail Loans of which	**58,846**	**188,827**	**916,063**	**6,032,458**	**16,547,471**	**23,743,666**
- Mortgage	*44,179*	*128,712*	*616,830*	*3,101,673*	*12,981,591*	*16,872,987*
- Consumer	*14,667*	*60,115*	*299,232*	*1,547,829*	*3,565,880*	*5,487,723*
- Credit Cards	*0*	*0*	*0*	*1,382,956*	*0*	*1,382,956*
Nostro, Sight Accounts, Loans and receivables to Credit Institutions	**1,977,515**	**40,299**	**1,270**	**8,441**	**26,467**	**2,053,991**
Trading Bonds	2,942	3,521	23,066	154,470	50,351	**234,351**
Debt securities-receivables	12,935	23,583	0	9,794,006	7,191,330	**17,021,854**
Bonds Available for Sale	44,349	1,102,268	802,714	582,433	151,050	**2,682,812**
Bonds Held to Maturity	0	0	0	0	24,059	**24,059**
Off Balance sheet items of which	**165,271**	**103,591**	**724,266**	**2,294,827**	**74,856**	**3,362,811**
- Letters of Credit	122,102	78,106	619,620	2,139,952	4,652	*2,964,432*
- Letters of Guarantees	10,631	14,617	4,839	0	229	*30,316*
- Undrawn Credit Facilities	32,538	10,868	99,807	154,875	69,975	*368,063*
Total	**2,698,053**	**3,274,843**	**4,900,382**	**33,819,972**	**49,537,202**	**94,230,452**

(1) Before credit risk adjustments

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

4.1 Credit Risk Measurement and Reporting Systems

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

Loans and advances

For credit risk measurement and monitoring purposes entailed in the Group's loans and advances, the following are performed at a counterparty level:

- The customer's creditworthiness and the probability, of defaulting on their contractual obligations is systematically assessed,
- The potential recovery, in the event of the debtor defaulting on its obligations is estimated, based on existing collateral and security - guarantees provided. These aforementioned credit risk measurement parameters are incorporated into the Group's daily operations.

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 at least on 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.

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.

Additional information regarding the ratings classification and the credit lending policy is available in the Annual Financial Report 2015 chapter 3.1.2.

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

Retail Credit

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

Additional information regarding scorecards of client credit assessment is available in the Annual Financial Report 2015 chapter 3.1.2.

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

Recovery Based on Existing Collateral, Security and Guarantees

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

Risk Based Pricing

The credit rating models that have been developed and applied in the credit process, played an important role in the development of the relevant methodology of risk based pricing for the business as well as for the retail portfolio.

Piraeus Group, through Risk Adjusted Pricing, aims to generate revenue to cover expected and unexpected risks as well as at a complete and correct depiction of profitability for its products and services. Furthermore Piraeus Bank aims at establishing a culture within all levels of the bank, in the identification of risk management.

Securities and Other Bills

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

For the measurement and evaluation of credit risk entailed in debt securities and other bills, external ratings from rating agencies are used, 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 for each portfolio category, according to the relevant IFRS provisions.

Concentration Risk

Credit risk concentration can arise from two types of inadequate risk diversification within a portfolio:

(a) name concentration and

(b) sector concentration.

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

Additional information regarding concentration risk is available in the Annual Financial Report 2015 chapter 3.1.4.

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

Table 08: Industry Sector Breakdown of the Loan Portfolio – 31 Dec. 2015 (€ '000s)

	Neither Past Due nor Impaired	Past Due but Not Impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd		of which > 90 dpd	Specific Provisions	Collective Provisions
Business Loans	**16,524,354**	**3,006,740**	**2,009,224**	**21,603,916**	**16,443,253**	**-11,032,608**	**-2,073,696**
of which: SME	8,089,493	1,987,321	1,200,616	14,583,626	11,809,059	-6,829,962	-1,911,082
Agriculture, forestry and fishing	613,656	47,950	53,505	474,313	364,341	-223,969	-71,571
Mining and quarrying	42,282	7,130	3,835	64,329	57,512	-31,323	-7,264
Manufacturing	3,036,526	455,742	212,166	3,565,939	2,873,059	-1,685,030	-335,690
Electricity, gas, steam and air conditioning supply	1,360,641	192,521	20,062	157,815	12,912	-72,617	-10,164
Water supply	29,778	2,380	772	43,754	29,607	-22,338	-3,266
Construction	1,651,336	259,319	273,449	3,667,918	2,757,680	-1,906,237	-202,838
Wholesale and retail trade	2,388,086	362,862	202,905	3,818,784	3,258,655	-1,648,755	-699,867
Transport and storage	2,217,013	339,902	192,878	1,474,586	969,909	-808,665	-104,113
Accommodation and food service activities	1,300,097	566,627	364,112	1,262,607	947,522	-436,304	-167,553
Information and communication	373,239	66,193	10,700	551,626	449,705	-368,908	-29,858
Financial services	503,786	204	186,255	2,024,712	1,489,015	-1,398,888	-21,603
Real estate activities	804,592	346,029	193,052	1,897,522	1,419,061	-928,043	-38,077
Professional, scientific and technical activities	144,922	33,559	19,293	569,320	426,613	-315,240	-59,612
Administrative and support service activities	160,248	22,803	17,079	234,687	202,916	-111,913	-31,286
Education	40,685	9,289	12,101	31,896	31,094	-12,398	-8,029
Human health services and social work activities	287,509	62,991	30,049	227,285	209,132	-122,563	-15,078
Arts, entertainment and recreation	149,675	4,333	19,280	195,916	56,187	-90,799	-10,822
Other services	1,420,283	226,907	197,730	1,340,907	888,330	-848,619	-257,004
Public Sector Loans	**1,360,040**	**3,939**	**132**	**16,525**	**15,332**	**-2,207**	**-478**
Retail Loans	**12,224,303**	**2,908,933**	**556,091**	**7,856,803**	**7,854,024**	**-306,551**	**-4,064,265**
Mortgages	9,668,172	2,271,358	555,832	4,244,908	4,244,138	-151,999	-1,551,646
Consumer	1,967,780	600,470	259	2,860,579	2,858,575	-152,175	-1,925,881
Credit Cards	588,352	37,105	0	751,315	751,310	-2,377	-586,738
Total [1]	**30,108,697**	**5,919,612**	**2,565,447**	**29,477,244**	**24,312,609**	**-11,341,366**	**-6,138,439**

[1] Piraeus Bank Cyprus loan portfolio of €779.6 mio is not included (discontinued operation), of which «neither past due nor impaired»: €345.66 mio, «past due but not impaired»: €159.34 mio, «impaired»: €274.58 mio, and provisions €147.0 mio (of which «individual»: €133.07 mio, «collective»: €13.96 mio). Loans past due more than 90 days amount to €292.82 mio.

Country Risk

Country risk summarizes and reflects (a) sovereign risk: this refers to the risk that a sovereign entity will fail to honor its debt obligations and (b) transfer risk: this refers to the risk that a government will be unable or unwilling to make foreign currency available for remittance out of the country. The Group's cross-border activities expose the entity to country risk, which is highly related to local economic and socio-political environments. For timely and effective monitoring of country risk, the Bank has established a framework for evaluation and management according to which specific country limits are established, monitored and evaluated on a regular basis (at least annually). For country risk assessment, both quantitative and qualitative criteria are used, which take into account the evolution of risk parameters and the volume/structure of the Group's country exposures.

Table 09: Geographical Breakdown of the Loan Portfolio – 31 Dec. 2015 (€ '000s.)

	Neither Past Due nor Impaired	Past Due but Not Impaired		Impaired		Cumulative Provisions	
		1 - 90 dpd	> 90 dpd		of which > 90 dpd	Specific Provisions	Collective Provisions
Greece [1]	**27,656,276**	**5,331,147**	**2,364,853**	**25,347,914**	**20,950,315**	**-8,763,132**	**-6,001,823**
Attica	16,233,228	2,930,954	1,214,337	14,645,548	11,541,848	-6,176,586	-2,749,747
East Macedonia & Thrace	786,623	157,732	44,764	638,621	579,585	-97,600	-227,233
North Aegean	220,185	46,100	22,026	201,924	183,490	-34,662	-69,492
West Greece	830,403	135,233	89,078	962,000	813,082	-216,687	-291,684
West Macedonia	379,677	58,546	36,777	340,836	310,155	-96,495	-105,166
Epirus	635,473	171,950	44,623	501,266	441,751	-95,357	-163,536
Thessaly	1,000,305	165,129	77,920	926,045	813,960	-218,141	-277,534
Ionian Islands	313,700	84,652	49,384	289,700	280,942	-59,370	-90,376
Central Macedonia	3,449,509	676,429	238,838	3,260,699	2,776,934	-941,113	-921,231
Crete	1,404,024	371,154	210,242	1,291,530	1,190,176	-338,509	-379,872
South Aegean	820,232	203,329	200,556	725,588	596,215	-168,719	-191,106
Peloponnese	909,184	165,865	83,808	766,753	720,320	-104,373	-293,204
Central Greece	673,734	164,074	52,500	797,403	701,856	-215,519	-241,643
Cyprus	**275,744**	**32,913**	**29,032**	**642,025**	**383,752**	**-446,165**	**-16,647**
CEE Countries[2]	**1,587,994**	**514,502**	**107,282**	**2,014,914**	**1,593,571**	**-1,019,652**	**-88,192**
Rest of Europe	**147,920**	**20,834**	**14,605**	**347,416**	**343,189**	**-221,645**	**-10,398**
Other Countries	**440,762**	**20,214**	**49,676**	**1,124,975**	**1,041,783**	**-890,772**	**-21,380**
Total [3]	**30,108,697**	**5,919,612**	**2,565,447**	**29,477,244**	**24,312,609**	**-11,341,366**	**-6,138,439**

(1) Includes shipping portfolio of €2.79 bio.
(2) Russia, Czech republic, Poland, Hungary, Romania, Moldavia, Croatia, Lithuania, Latvia, Estonia, Slovenia, Slovakia, Bulgaria, Ukraine, Belarus, Serbia, Montenegro, Bosnia-Herzegovina, Albania.
(3) Piraeus Bank Cyprus loan portfolio of €779.6 mio is not included (discontinued operation), of which «neither past due nor impaired»: €345.66 mio, «past due but not impaired»: €159.34 mio, «impaired»: €274.58 mio, and provisions €147.0 mio (of which «individual»: €133.07 mio, «collective»: €13.96 mio). Loans past due more than 90 days amount to €292.82 mio

Counterparty Credit Risk

Counterparty Credit Risk (CCR) is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Additional information regarding counterparty credit risk is available in the Annual Financial Report 2015 chapter 3.1.6.

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

Counterparty Credit Risk is applicable to:

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

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

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

Table 10: Exposure Value of Derivatives and SFT's per Contract Type[1] – 31 Dec. 2015 (€ 000's)

Contract Type	Original Exposure	Financial Collateral and Contractual Netting	Exposure (E*)
Cross Currency Interest Rate Swaps	307,766	231,108	76,658
Interest Rate Swaps	284,462	10,218	274,243
Foreign-exchange transactions	21,153	8,523	12,630
Repurchase agreements	1,797,405	1,712,009	85,397
Reverse Repurchase agreements	641	0	641
Other Derivatives	4,851	0	4,851
Total Counterparty Credit Risk	**2,416,278**	**1,961,858**	**454,420**

(1) Exposure value is comprised of current replacement costs and potential future exposures

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

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

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Derivative Financial Instruments	7,641	5,118	29,043	22,932	303,648	368,382
Repurchase Agreements	86,038	0	0	0	0	86,038
Total	**93,679**	**5,118**	**29,043**	**22,932**	**303,648**	**454,420**

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

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

Table 12: Effect of Master Netting Agreements on Current Replacement Costs – 31 Dec. 2015 (€ '000s)

Exposure Values of Derivatives Excluding PFE under the Standardized Approach	
Gross Positive Fair Value before Netting	475,901
Netting Benefits	190,552
Netted Current Credit Exposure	285,349
Collateral Held	0
Net Derivatives Credit Exposure	**285,349**

It should be noted that, given the current state of the interbank market, no material changes are expected on the Group's collateral postings due to rating downgrades. As of year-end December 2015, the Group had no positions on credit derivatives.

4.2 Credit Risk Mitigation & Control

Credit Limits

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

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

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

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

Collateral Use

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

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

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

For that purpose, it has defined and included in its credit policy the following main types of acceptable collateral and security[2]:

- 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.

Collateral Valuation

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

Bonds received as collateral are valued on a daily basis and monitored through a collateral system that takes into account the specific characteristics of every contract (price, accrued interest, valuation date, source of valuation).

[2] For the calculation of capital requirements, the eligible collateral/security, as defined under Regulation (EU) No 575/2013, is significantly lower in comparison to collateral/security actually received from the Group for business purposes.

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 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.

There is no significant market or credit risk concentration in the risk mitigation instruments.

The following table portrays the Group's exposures secured with eligible collateral and guarantees (reference date December 31st 2015), according to the Standardized Approach (Regulation (EU) No 575/2013).

Table 13: Exposures Covered by Regulatory Eligible Collaterals under the Standardized Approach per Exposure Class – 31 Dec. 2015 (€ '000s)

Exposure Class	Financial Collateral	Guarantees	Secured by Immovable Property
Central Governments/ Central Banks	8,277	0	335,232
Regional governments and local authorities	3,032	2,674	88
Administrative Bodies & Non-Profit Organizations	2,521	126	0
Financial Institutions	1,704,140	0	146
Multilateral development banks	0	0	0
International Organisations	0	0	0
Corporate entities	509,867	196,540	0
Retail customers	238,136	232,745	0
Claims secured by real estate property	76,443	302,796	15,306,330
Cover bonds	0	0	0
UCITS	0	0	0
Short-term exposures	0	0	0
Stocks, Participations and Other Assets	0	0	0
Exposures in default	305,215	371,063	13,540,665
Total	**2,847,632**	**1,105,945**	**29,182,461**

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

- Only regulatory eligible, according to the Standardized Approach, guarantees and financial collateral are included. These 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. Under the Standardized Approach residential and commercial real estate collateral does not affect the value of the exposure, as in other asset classes, but it is reflected in a more favorable risk weight against credit risk, according to the regulatory framework.
- The majority of exposures in default are covered, apart from the regulatory eligible guarantees and financial collateral, by commercial and residential real estate as well. The additional coverage does not affect the value of the exposure, as in other asset classes, but it is reflected in a more favorable risk weight against credit risk according to the regulatory framework.

4.3 Impairment Policy

The Group assesses on a regular basis whether there is any objective evidence that a financial asset or group of financial assets is impaired. To this extent and in every financial statements reporting period, the Bank uses a very analytical method of calculating the impairment loss of its loans portfolio (impairment test) for the purpose of creating adequate provisions coverage for this portfolio, according to International Financial Reporting Standards.

Additional information regarding the impairment policy for individual provisions, the collective assessment for business loan portfolio and retail loan portfolio is available in the Annual Financial Report of the year 2015, note 3.1.8 to 3.1.10. Furthermore, information concerning objective evidence of impairment is presented in note 2.13 of the Annual Financial Report 2015.

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

Table 14: Movement in Impaired Loans & Advances – 31 Dec. 2015 (€ '000s)

	Loans to Individuals	Loans to Corporate Entities	Loans to Public Sector	Total
Opening balance as at 1.1.2015	**3,904,920**	**11,925,937**	**9,543**	**15,840,400**
Opening balance of discontinued operations	-51,739	-174,863	-576	-227,178
Opening balance of new companies	24	14,106	0	14,130
Opening balance of banking activities acquired	16,741	94,641	0	111,382
Charge for the year	839,167	2,653,749	-6,109	3,486,807
Amounts written off	-243,324	-636,894	0	-880,217
Provision of derecognized loans	-383	-702,388	0	-702,772
Unwinding	-148,574	-179,448	-173	-328,194
Foreign exchange differences and other movements	53,984	111,465	0	165,449
Closing balance as at 31.12.2015	**4,370,816**	**13,106,305**	**2,686**	**17,479,807**

4.4 Forbearance and Restructuring Policy

The Group adopted the "Implementing Technical Standards" (ITS) of the European Banking Authority (EBA) relating to forborne loans, in alignment with the Bank of Greece Executive Committee Act No. 42/30.5.14 for the "Supervisory framework for the management of loans in arrears and non-performing loans". As of December 31st 2015 forborne loans accounted for €13.975 bio.

Additional information regarding restructuring policy as well as analysis of restructured loans per portfolio is available in the Annual Financial Report 2015 chapter 3.1.12 and 3.4.1 –3.4.5

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

4.5 Securitization

According to the minimum requirements set by Regulation (EU) No 575/2013, with reference date December 31st 2015, there was no significant transfer of credit risk from securitizations, since the Group retained almost in full every tranche in each securitization. All underlying loans are risk weighted using the standardized approach for credit risk.

For securitization exposures, where the Group acts as an investor, external credit ratings from Moody's Investors Service, Standard & Poor's Rating Services and Fitch Ratings are utilized. On December 31st 2015, the Group did not hold any investments in securitizations.

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

4.6 External Credit Assessment Institutions (ECAIs)

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

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

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

Table 15: ECAI Credit Quality Step Mapping (€ '000s.)

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

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

If there are multiple ratings for a specific exposure, the Group follows the prescribed regulation in order to determine the exposure's risk weight. In particular, if for a specific exposure there are two 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 following table depicts the breakdown of exposures to central governments, financial institutions and corporate asset classes per credit quality step. It should be noted that, for risk weighting purposes, the CRR provisions for the preferential treatment of exposures to central governments and financial institutions are applied.

Table 16: Breakdown by Credit Quality Step[1] – 31 Dec. 2015 (€ '000s.)

Exposure Class	Exposure Value Before Credit Risk Mitigation Techniques	Exposure Value After Credit Risk Mitigation Techniques
Central Governments		
1	83,732	83,659
2	0	0
3	647,054	647,054
4	37,369	37,369
5	434,858	498,938
6	4,032,031	5,017,190
Total Exposures	**5,235,045**	**6,284,210**
Financial Institutions		
1	296,679	296,659
2	1,219,949	1,215,975
3	183,946	185,096
4	742	732
5	30,929	30,929
6	44,419	45,613
Unrated	310,387	333,129
Total Exposures	**2,087,051**	**2,108,132**
Corporates		
1	0	0
2	828,257	678,310
3	548,389	503,052
4	1,504,619	1,209,317
5	208,369	177,454
6	393,332	241,837
Unrated	7,217,065	6,026,526
Total Exposures	**10,700,031**	**8,836,495**

(1) Deferred tax assets based on the provision of L. 4172/2013, 4302/2014 and 4340/2015 of €4.3 bio are not included in the exposures to central government asset class. The table includes exposures from discontinued operations.

4.7 Capital Requirements - Standardized Approach

Credit Risk

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

Table 17: Credit Risk per Asset Class and Risk Weight[1] - 31 Dec. 2015 (€ '000s.)

Exposure Class		Exposure Value (After Credit Risk Mitigation Techniques & Provisions)	Capital Requirements
Central governments or central banks		**10,574,597**	**388,386**
	0%	5,919,835	0
	20%	75,880	1,214
	100%	4,385,619	350,850
	150%	29,129	3,496
	250%[(1)]	164,134	32,827
Regional governments or local authorities		**177,863**	**2,985**
	20%	176,521	2,824
	100%	0	0
	150%	1,342	161
Public sector entities		**27,676**	**2,892**
	100%	10,735	859
	150%	16,941	2,033
Institutions		**2,108,132**	**22,812**
	0%	1,017,181	0
	20%	1,012,495	16,200
	50%	34,857	1,394
	100%	360	29
	150%	43,240	5,189
International organizations		**16,979,476**	**0**
	0%	16,979,476	0
Corporates		**8,836,495**	**692,464**
	50%	678,437	27,137
	100%	7,711,863	612,582
	150%	446,196	52,744
Retail		**3,716,398**	**196,939**
	75%	3,716,398	196,939
Secured by mortgages on immovable property		**18,148,536**	**682,660**
	35%	10,107,422	271,500
	50%	4,915,524	182,415
	75%	1,098,973	59,331
	100%	1,790,371	141,206
	150%	236,245	28,208
Claims in the form of CIU		**121,733**	**8,398**
	0%	16,759	0
	100%	104,974	8,398
Items associated with particularly high risk		**24,455**	**2,935**
	150%	24,455	2,935
Equity Exposures		**641,184**	**54,648**
	100%	613,242	49,059
	250%	27,942	5,588
Exposures in default		**18,566,970**	**1,586,248**
	100%	16,044,711	1,283,577
	150%	2,522,259	302,671
Other items		**6,262,946**	**372,307**
	0%	1,454,689	0
	20%	188,097	3,010
	50%	8,114	325
	100%	4,611,813	368,945
	150%	234	28
Total		**86,186,462**	**4,013,672**

[(1)] Deferred tax assets not deducted from regulatory own funds. The table includes exposures from discontinued operations.

Counterparty Credit Risk

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

Table 18: Counterparty Credit Risk & Central Counterparty Risk[1] – 31 Dec. 2015 (€ '000s.)

Exposure Class		Exposure Value (After Credit Risk Mitigation Techniques & Provisions)	Capital Requirements
Central governments or central banks		**265.245**	**182**
	0%	262.966	0
	100%	2.279	182
Institutions		**124.302**	**2.895**
	20%	90.263	1.444
	50%	31.817	1.273
	100%	2.221	178
Corporates		**57.917**	**4.632**
	100%	57.873	4.627
	150%	44	5
Retail		**1.578**	**72**
	75%	1.578	72
Exposures in default		**5.379**	**430**
	100%	5.379	430
Total		**454.420**	**8.212**

(1) The table includes exposures from discontinued operations.

5 Market Risk

Market Risk

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

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

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

During 2015 there was an increase in the Group's position in Greek Government Treasury bills by €165 mio and a marginal reduction in Greek Government Bonds by €30 mio. Additionally, in the Available for Sale portfolio there was an increase in fixed rate Greek Government Bonds by €71 mio and in the Trading book there was a reduction of €101 mio. Positions in the European Financial Stability Fund in the Loans and receivables portfolio remained the same, as it is not possible to reduce them. Moreover, in the context of the bank's recapitalization, ESM disbursed €2.7 bio in the form of FRNs resulting in an increase of the Loans and Receivables portfolio. Also, there was a reduction in the value and position of exchange traded shares in the Available for sale portfolio by about €31 mio.

5.1 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. Value-at-Risk is measured for the positions in the Trading Book as well as the Available for Sale portfolio.

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

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

The Group tests the validity of the estimated Value-at-Risk by conducting a back-testing program for the Trading Book. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to changes in market prices. When back testing results show repetitive and inexplicable exceptions, the VaR model is considered inadequate. During 2015 there were seven exceptions at a time when political developments led to market turbulences and extreme fluctuations in stock and bond indices, disrupting the assumption of a normal distribution. The number of the exceptions, taking into account the extraordinary circumstances, indicates that the risk assessment model is performing effectively.

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

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

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.

The Trading Book Value at Risk estimate decreased in 2015 due to a reduction in Greek Government Bonds.

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

	31.12.2015	31.12.2014	31.12.2013
VaR Interest Rate Risk	2.81	3.33	0.42
VaR Equity Risk	0	0	0.01
VaR FX Risk	2.68	2.64	1.14
VaR Commodity Risk	0	0.07	0.05
Diversification effect	-1.68	-1.88	-0.34
Group Trading Book - Total VaR	**3.81**	**4.15**	**1.27**

5.2 Capital Requirements - Standardized Approach

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

Table 20: Market Risk Capital Requirements[1] - 31 Dec. 2015 (€ '000s)

	Capital Requirements
Specific Risk on Debt Instruments	2,017.4
General Risk on Debt Instruments	6,508.8
Equity Specific Risk	1,495.4
Equity General Risk	618.6
Other Risks (Commodity, Settlement, Gamma, Vega, CIUs, etc.)	43.1
CVA	1,532.4
FX Position Risk	14,996.9
Total	**27,212.7**

(1) The table includes exposures from discontinued operations.

Credit Valuation Adjustment (CVA)

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

Piraeus Bank Group uses the standardized approach for calculating CVA, while on December 31st 2015 the relevant capital requirements amounted to €1.5 mio.

6 Operational Risk

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

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

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

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

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

- operational risk is assumed and managed locally, at a unit level, as close as possible to its source.
- operational risk management framework includes:
    - ✓ organizational structure & responsibilities for the management of operational risk,
    - ✓ operational risk appetite (statements, limits & indicators),
    - ✓ processes regarding:
        - risk and control self assessment,
        - key risk indicators,
        - action plans,
        - incidents and losses collection,
        - capital requirements calculation and Value at Risk (VaR),
        - operational risk mitigation techniques and
        - the framework of internal and external reports.
- The Group has a documented and adequate Internal Control System, which consists of a broad array of internal controls and processes that cover, on continuous basis, all Group activities, ensuring effective and secure operation.
- The Internal Control System includes the Business Continuity Plan (BCP), aiming at eliminating any negative impact which may occur by crisis situations within the activity of the Group.

In 2015, the Group implemented improvement actions regarding its functions and infrastructure and adopted a focused approach on the monitoring of its operational risk level, aiming at further reducing its operational risk profile. In addition, in 2015 the operational and systemic integration with Panellinia Bank completed successfully.

The main actions of the Group Operational Risk Management unit for the development and strengthening of the framework and the management of the operational risk for 2015 are summarized below:

- improvement of the process related to the collection and management of operational risk losses & incidents,
- evolution of operational risk monitoring and mitigation mechanisms (update of the Business Continuity Plan and the insurance coverage, bimonthly monitoring of the operational risk level and infrastructure improvement actions),

- utilization of the internal audit findings during the risk assessment (RCSA) process,
- strengthening of the knowledge/awareness of the branch network executives in the field of risk management (participation in the “School of Branch Executives”),
- improvement of the risk management infrastructure with the selection and installation of operational risk management systems (in progress),
- adaptation of the processes for the product development & modification.

6.1 Operational Risk Mitigation & Control

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

Internal Control System (ICS)

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

ICS Enhancement Projects (Action Plans)

Within operational risk management framework, the Group takes the appropriate and necessary measures in order to improve the effective management of the aforementioned risk, by implementing specific action plans.

The establishment of the action plans is activated either through the identification and assessment of critical potential risks (RCSA), or after the realization of actual operational risk incidents and losses.

Risk Assessment of the Product, Process & Activity

Group Operational Risk Management unit participates in the assessment of Group’s new products, processes and activities, as well as in the assessment of the existing ones, in cases of significant changes[3]. The assessment aims at integrating the appropriate control and risk management mechanisms, in order to ensure the effective management and mitigation of the potential operational risks.

Insurance Coverage

The Group recognizes insurance coverage as a significant operational risk mitigation technique. These contracts cover, according to the current insurance framework, partial or total recovery against financial losses resulting from certain types of operational risk incidents.

Insurance coverage of the Group’s main operations is annually reviewed by the responsible units in collaboration with the Group Senior Management.

In addition, the Group Risk Management unit reviews the adequacy of insurance coverage, by applying alternative recovery rates in potential financial losses associated with extreme operational risk scenarios and the calculation of Value at Risk (VaR) and Internal Capital for the aforementioned risk.

Human Resources Training

The Group provides personnel with adequate training on operational risk issues, enhancing its familiarity and awareness in management and mitigation of this risk.

The above mentioned training activities involve all Group employees and include:

- specialized training for the mitigation of risk from external fraud (e.g. genuinity of banknotes and supporting documentation, managing of robberies), as well as of risks regarding money laundering and terrorism financing,
- personnel training regarding their duties during the activation and implementation of the Business Continuity Plan (BCP).

[3] According to BoG Governor’s Act 2577/9.3.2006, at least consultative participation in cooperation with Compliance & Internal Audit.

Group Business Continuity Plan

The Group has established Business Continuity Management Policy, which is a clear and effective organizational approach and process to manage and minimize the negative consequences that may affect the continuity of Group's operation in emergency crisis situations.

The implementation of the Business Continuity Plan in combination with the Disaster Recovery Site and the Disaster Recovery Plan ensure the smooth and uninterrupted operation of the Bank in all its business activities and structures, the effective management of operational risk and the full compliance with the regulatory framework (BoG Governor's Act 2577/9.3.2006).

6.2 Capital Requirements - Standardized Approach

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

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

Table 21: Operational Risk Capital Requirements[1] – 31 Dec. 2015 (€ '000s)

	Capital Requirements
Corporate Finance	6.9
Trading and Sales	-12,792.9
Retail banking	134,294.6
Commercial Banking	139,949.3
Payment & Settlement	6,798.2
Agency Services	756.3
Asset Management	3,828.4
Retail Brokerage	928.2
Total	**273,769.1**

(1) The table includes discontinued operations.

7 Equity Exposures not Included in the Trading Portfolio

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

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

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

The fair value of domestic and overseas listed shares is determined according to current bid prices (market price). The total value of listed shares of Piraeus Bank Group, within the “Available for Sale securities” category, is €65.4 mio as at 31/12/2015.

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

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

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

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

The table bellow presents the carrying amount of shares of the Available for Sale portfolio for continuing operations.

Table 22: Available for Sale Equity Investments – (€ ‘000s)

	31.12.2015
Athens stock exchange listed shares	63,639
Foreign stock exchange listed shares	1,802
Unlisted shares	233,269
Mutual Funds	65,626
Other variable income securities	12,521
Total	**376,857**

Furthermore, it is noted that the total amount of realized gains/losses from sales and liquidations of available for sale shares and mutual funds, amounts to gain €27 th. for the year 2015. The total net amount of unrealized gains from revaluation of such shares reached €63 mio as at December 31st 2015.

8 Interest Rate Risk in the Banking Book

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 December 31st 2015, are as follows:

Table 23: Interest Rate Risk Sensitivity Analysis- 31 Dec. 2015 (€ 000's)

	EUR	USD	CHF	Other
PV 100	-10.38	-1.73	-5.17	-4.05
EaR	-77.85	-26.16	-20	-8.61

The 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 behavior 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.

9 Liquidity Risk

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

Liquidity Risk Framework

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

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

Since November 2014, Piraeus Group is supervised by the Single Supervisory Mechanism (SSM) of the European Central Bank (ECB), in collaboration with the Bank of Greece.

Piraeus Group calculates the Liquidity Coverage Ratio and Net Stable Funding Ratio, monthly and quarterly respectively, according to Regulation (EU) 575/2013. LCR ratio however is not considered an appropriate measure of liquidity, since the Greek banking system remains under stress conditions.

During 2015, the Group has submitted to SSM, the Internal Liquidity Adequacy Assessment Processes (ILAAP), for the first time, according to article 86 of Directive 2013/36/EU.

In addition, the Group has participated in ECB's Short Term Exercise (STE) and submitted additional liquidity risk reports to SSM quarterly during 2015.

Liquidity Risk Highlight for 2015

During the first half of 2015 Piraeus Group deposits decreased by €16 bio, due to sustained adverse economic conditions. The Greek banking system experienced a significant outflow of deposits, which was stopped by the imposition of capital controls. At 31.12.2015 total deposits of Piraeus Group amounted to €38.9 bio, (€54.7 bio at 2014).

In the first half of the 2015, access of the Greek banking system to interbank secured funding was limited, creating an additional funding gap. At the end of the second half of 2015, the Greek banking sector was stabilized and Piraeus Group returned to the interbank repo market.

The funding gap, created by the deposits outflow and the limited access to interbank funding, was covered through the use of the Emergency Liquidity Assistance (ELA) mechanism. Piraeus Bank acquired funding of €16.7 bio through the use of ELA. Funding from the European Central Bank (ECB) amounted to €16 bio, slightly higher as compared to December of 2014 (€14.1 bio).

At the end of 2015, Piraeus Bank completed successfully its Capital Increase, improving this way the liquidity of the Bank.

Moreover, during 2015, there was a reduction in the cost of deposits.

10 Unencumbered Assets

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

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

From a total of unencumbered assets of €39,774 mio, €9,280 mio that include Reverse Repo, Goodwill, Property, Plant and Equipment, Liabilities from derivative financial instruments, cannot be used for refinancing under normal conditions.

Table 24: Encumbered and Unencumbered Assets – 31 Dec. 2015 (€ '000s)

	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair Value of Unencumbered Assets
Assets of the reporting institution	**44,439,356**		**39,774,042**	
Equity instruments	0	0	307,360	307,360
Debt securities	17,856,939	18,142,868	1,224,973	1,098,250
Other assets	26,582,417		38,241,708	

Table 25: Collaterals Received – 31 Dec. 2015 (€ '000s)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	**8,359,525**	**2,127,632**

Table 26: Encumbered Assets/Collaterals Received and Selected Financial Liabilities – 31 Dec. 2015 (€ '000s)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	34,882,049	52,798,881

11 Remuneration Policy

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

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

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

11.1 Basic Principles

The Remuneration Policy is based on the following principles:

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

11.2 Remuneration Committee

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

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

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

11.3 Other involved parties

The Remuneration Policy is designed by the Group'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. The non Executive Board Members approve the Remuneration Policy.

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

The non Executive Members of the Board could, if and when they deem it necessary, co-operate with external consultants for the preparation/review of the policy. It should be noted that during 2015, no external consultants participated in the preparation or review of the Bank's Remuneration Policy.

11.4 Remuneration structure

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

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

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

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

11.5 Criteria for Cancellation / Refund of Variable Remuneration

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

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

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

11.6 Proportionality principle

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

11.7 Remuneration disclosures

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

Table 27: Aggregate Quantitative Information on Remuneration per Business Area – 31 Dec. 2015 (€ '000s)

	Total Number of Staff per Area	Total Fixed Remuneration[1]	Total Variable Remuneration
Investment Banking	17	1,776.99	4.61
Retail Banking	134	12,097.37	236.19
Asset Management	9	311.26	0
Corporate Functions	62	6,334.62	110.27
Independent Control Functions	36	1,839.88	29.69
Other Functions	17	1,863.98	0

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

Table 28: Aggregate Quantitative Information on Remuneration of Staff Categories that have Material Impact on the Group's Risk Profile – 31 Dec. 2015 (€ '000s)

	Board Members	Senior Management[1]	Categories of staff whose actions have a material impact on the Group's risk profile
Total number of staff by category	99	32	275
Total fixed remuneration	9,111.27	5,873.09	24,224.11
Total variable remuneration, of which			
In cash:	525.52		380.76
In shares or other equivalent :			
Share-linked instruments:			
Other:			
Total deferred variable remuneration split into			
Vested[2] *:*	64.97		42.01
Unvested[2] *:*	264.47		178.95
Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments			
Number of staff receiving new sign-on payment within the year			
Total amount of sign-on payments within the year			
Number of staff receiving severange payments within the year			
Total amount of severange payments within the year			
Highest amount of severange payments awarded to a single person within the year			

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

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

12 Appendices

12.1 Appendix I: Subsidiaries (Full Consolidation Method)

Name of Company	Activity	% Holding	Country
Tirana Bank I.B.C. S.A.	Banking activities	98.83%	Albania
Piraeus Bank Romania S.A.	Banking activities	100.00%	Romania
Piraeus Bank Beograd A.D.	Banking activities	100.00%	Serbia
Piraeus Bank Bulgaria A.D.	Banking activities	99.98%	Bulgaria
JSC Piraeus Bank ICB	Banking activities	99.99%	Ukraine
Piraeus Bank Cyprus LTD	Banking activities	100.00%	Cyprus
Piraeus Asset Management Europe S.A.	Mutual funds management	100.00%	Luxemburg
Piraeus Leasing Romania IFN S.A.	Finance leases	100.00%	Romania
Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and reinsurance brokerage	100.00%	Greece
Tirana Leasing S.A.	Finance leases	100.00%	Albania
Piraeus Securities S.A.	Stock exchange operations	100.00%	Greece
Piraeus Group Capital LTD	Debt securities issue	100.00%	United Kingdom
Piraeus Leasing Bulgaria EAD	Finance leases	100.00%	Bulgaria
Piraeus Group Finance P.L.C.	Debt securities issue	100.00%	United Kingdom
Piraeus Factoring S.A.	Corporate factoring	100.00%	Greece
Picar S.A.	City Link areas management	100.00%	Greece
Bulfina S.A.	Property management	100.00%	Bulgaria
General Construction and Development Co. S.A.	Property development/ holding company	66.66%	Greece
Pireaus Direct Services S.A.	Call center services	100.00%	Greece
Komotini Real Estate Development S.A.	Property management	100.00%	Greece
Piraeus Real Estate S.A.	Construction company	100.00%	Greece
ND Development S.A.	Property management	100.00%	Greece
Property Horizon S.A.	Property management	100.00%	Greece
ETVA Industrial Parks S.A.	Development/ management of industrial areas	65.00%	Greece
Piraeus Development S.A.	Property management	100.00%	Greece
Piraeus Asset Management S.A.	Mutual funds management	100.00%	Greece
Piraeus Buildings S.A.	Property development	100.00%	Greece
Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	-	United Kingdom
Euroinvestment & Finance Public LTD	Asset management, real estate operations	90.89%	Cyprus
Lakkos Mikelli Real Estate LTD	Property management	50.66%	Cyprus
Philoktimatiki Public LTD	Land and property development	53.31%	Cyprus
Philoktimatiki Ergoliptiki LTD	Construction company	53.31%	Cyprus
IMITHEA S.A. (former New Evolution S.A.)	Organization, operation and management of hospital units	100.00%	Greece
EMF Investors Limited	Investment company	100.00%	Cyprus
Piraeus Green Investments S.A.	Holding company	100.00%	Greece
New Up Dating Development Real Estate and Tourism S.A.	Property, tourism & development company	100.00%	Greece
Sunholdings Properties Company LTD	Land and property development	26.66%	Cyprus
Polytropon Properties Limited	Land and property development	39.98%	Cyprus
Capital Investments & Finance S.A.	Investment company	100.00%	Liberia
Vitria Investments S.A.	Investment company	100.00%	Panama
Piraeus Insurance Brokerage EOOD	Insurance brokerage	99.98%	Bulgaria
Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands
Piraeus Real Estate Consultants S.R.L.	Construction company	100.00%	Romania
Piraeus Leases S.A.	Finance leases	100.00%	Greece
Multicollection S.A.	Assessment and collection of commercial debts	51.00%	Greece
Olympic Commercial & Tourist Enterprises S.A.	Operating leases- Rent-a-Car and long term rental of vehicles	94.00%	Greece
Piraeus Rent Doo Beograd	Operating Leases	100.00%	Serbia

Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	-	United Kingdom
Piraeus Leasing Doo Beograd	Finance leases	100.00%	Serbia
Piraeus Real Estate Bulgaria EOOD	Construction company	100.00%	Bulgaria
Piraeus Real Estate Egypt LLC	Property management	100.00%	Egypt
Piraeus Insurance Agency S.A.	Insurance - agency	100.00%	Greece
Piraeus Capital Management S.A.	Venture capital fund	100.00%	Greece
Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom
Praxis I Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
Axia Finance III PLC	SPE for securitization of corporate loans	-	United Kingdom
Praxis II Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
Axia III APC LIMITED	SPE for securitization of corporate loans	-	United Kingdom
Praxis II APC LIMITED	SPE for securitization of consumer loans	-	United Kingdom
PROSPECT N.E.P.A.	Yachting management	100.00%	Greece
R.E Anodus LTD	Consultancy Services for Real Estate Development and Investments	100.00%	Cyprus
Pleiades Estate S.A.	Property management	100.00%	Greece
Solum Limited Liability Company	Property management	99.00%	Ukraine
Piraeus (Cyprus) Insurance Brokerage Ltd	Insurance brokerage	100.00%	Cyprus
O.F. Investments Ltd	Investment company	100.00%	Cyprus
DI.VI.PA.KA S.A.	Administrative and managerial body of the Kastoria industrial park	57.53%	Greece
Piraeus Equity Partners Ltd.	Holding company	100.00%	Cyprus
Piraeus Equity Advisors Ltd.	Investment advise	100.00%	Cyprus
Achaia Clauss Estate S.A.	Property management	75.27%	Greece
Piraeus Equity Investment Management Ltd	Investment management	100.00%	Cyprus
Piraeus FI Holding Ltd	Holding company	100.00%	British Virgin Islands
Piraeus Master GP Holding Ltd	Investment advice	100.00%	British Virgin Islands
Piraeus Clean Energy GP Ltd	General partner of Piraeus Clean Energy LP	100.00%	Cyprus
Piraeus Clean Energy LP	Renewable Energy Investment Fund	100.00%	United Kingdom
Piraeus Clean Energy Holdings LTD	Holding Company	100.00%	Cyprus
Curdart Holding Ltd	Holding company	100.00%	Cyprus
Adflikton Investments LTD	Property Management	100.00%	Cyprus
Costpleo Investments LTD	Property Management	100.00%	Cyprus
Cutsofiar Enterprises LTD	Property Management	100.00%	Cyprus
Gravieron Company LTD	Property Management	100.00%	Cyprus
Kaihur Investments LTD	Property Management	100.00%	Cyprus
Pertanam Enterprises LTD	Property Management	100.00%	Cyprus
Rockory Enterprises LTD	Property Management	100.00%	Cyprus
Alarconaco Enterprises LTD	Property Management	100.00%	Cyprus
Bulfinace E.A.D.	Property Management	100.00%	Bulgaria
Zibeno I Energy S.A.	Energy generation through renewable energy resources	83.00%	Greece
Kosmopolis A' Shopping Centers S.A.	Shopping Center's Management	100.00%	Greece
Zibeno Investments Ltd	Holding Company	83.00%	Cyprus
Asset Management Bulgaria EOOD	Travel - rental services and property management	100.00%	Bulgaria
R.E. Anodus SRL	Real Estate Development	99.09%	Romania
Linklife Food & Entertainment Hall S.A.	Operation of Food and Entertainment Halls	100.00%	Greece
ATE Insurance S.A.	Insurance	100.00%	Greece
ATE Insurance Romania S.A.	Insurance	100.00%	Romania
Arigeo Energy Holdings Ltd	Holding Company in Renewable Energy	100.00%	Cyprus
Proiect Season Residence SRL	Real Estate Development	100.00%	Romania
Piraeus Jeremie Technology Catalyst Management S.A.	Management of Venture Capital Fund	100.00%	Greece
Geniki Financial & Consulting Services S.A.	Financial & Consulting Services	100.00%	Greece
Special Financial Solutions S.A. (former Geniki Insurance Agency S.A.)	Advising, consultancy, organizational and training services.	100.00%	Greece

Geniki Information S.A.	Assessment and collection of commercial debts	100.00%	Greece
KPM Energy S.A.	Energy generation and exploitation through renewable energy resources	80.00%	Greece
Solum Enterprise LLC	Property management	99.00%	Ukraine
Centre of Sustainable Entrepreneurship Excelixi S.A. (former Atexcelixi S.A.)	Consulting Services - Hotel - Training & Seminars	100.00%	Greece
General Business Management Investitii S.R.L.	Development of Building Projects	100.00%	Romania
Mille Fin S.A.	Vehicle Trading	100.00%	Greece
Special Business Services S.A. (former Geniki Special Business Services S.A.)	Advising, consultancy, organizational and training services.	100.00%	Greece
Kion Mortgage Finance Plc	SPE for securitization of mortgage loans	-	United Kingdom
Kion Mortgage Finance No.3 Plc	SPE for securitization of mortgage loans	-	United Kingdom
Kion CLO Finance No.1 Plc	SPE for securitization of mortgage loans	-	United Kingdom
Re Anodus Two Ltd	Holding and Investment Company	99.09%	Cyprus
Beta Asset Management Eood	Rent and Management of Real Estate	99.98%	Bulgaria
Sinitem Llc	Sale and Purchase of Real Estate	98.01%	Ukraine
Tellurion Ltd	Holding Company	100.00%	Cyprus
Tellurion Two Ltd	Holding Company	99.09%	Cyprus
Entropia Ktimatiki S.A.	Property Management	66.70%	Greece
Akinita Ukraine LLC	Real Estate Development	99.09%	Ukraine
Daphne Real Estate Consultancy SRL	Real Estate Development	99.09%	Romania
Rhesus Development Projects SRL	Real Estate Development	99.09%	Romania
Varna Asset Management EOOD	Real Estate Development	99.98%	Bulgaria
Piraeus Real Estate Tirana Sh.P.K.	Real Estate Development	100.00%	Albania
Priam Business Consultancy SRL	Real Estate Development	99.18%	Romania
Marathon 1 Greenvale Rd LLC	Real Estate Development	99.95%	U.S.A.
Cielo Concultancy Sh.p.k.	Holding and Investment Company	99.09%	Albania
Edificio Enterprise Sh.p.k.	Holding and Investment Company	99.09%	Albania
Tierra Projects Sh.p.k.	Holding and Investment Company	99.09%	Albania
Piraeus ACT Services S.A.	Accounting and tax consulting	100.00%	Greece
A.C.T. B.A.S. S.A. (former P – PAYROLL S.A.)	Counseling services for Payroll and Labour Affairs	100.00%	Greece
Trastor Real Estate Investment Company	Real Estate Investment Company	91.71%	Greece
Rembo S.A.	Real Estate Investment Company	91.71%	Greece
ETVA Fund Management S.A.	Management of venture capital mutual funds	65.00%	Greece
ETVA Development S.A.	Investment and development activities, in accordance with the principles of Sustainable Development	65.00%	Greece
Cyprus Leasing S.A.	Finance leases	100.00%	Greece
Alecsandri Estates SRL	Real Estate Development	74.32%	Romania
Gama asset management EOOD	Real Estate Development	99.98%	Bulgaria
Delta Asset Management EOOD	Real Estate Development	99.98%	Bulgaria
Besticar Limited	Holding Company	99.98%	Cyprus
Besticar Bulgaria EOOD	Collects receivables	99.98%	Bulgaria
Besticar EOOD	Collects receivables from problematic clients	99.98%	Bulgaria

12.2 Appendix II: Associates (Equity Accounting Method)

Επωνυμία Εταιρείας	Αντικείμενο εργασιών	% συμμετοχής	Χώρα
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
APE Commercial Property Real Estate Tourist and Development S.A.	Holding Company	28%	Greece
APE Fixed Assets Real Estate Tourist and Development S.A.	Real estate, development/ tourist services	28%	Greece
Trieris Real Estate LTD	Property management	23%	British Virgin Islands
European Reliance Gen. Insurance Co. S.A.	General and life insurance and reinsurance	29%	Greece
APE Investment Property S.A.	Real estate, development/ tourist services	27%	Greece
Sciens International Investments & Holding S.A.	Holding company	28%	Greece
Euroterra S.A.	Property management	39%	Greece
Rebikat S.A.	Property management	40%	Greece
Abies S.A.	Property management	40%	Greece
Exodus S.A. (Former Exus S.A.)	Information technology & software	50%	Greece
Piraeus - TANEO Capital Fund	Close end Venture capital fund	50%	Greece
Teiresias S.A.	Inter banking company. Development, operation and management of information systems	24%	Greece
PJ Tech Catalyst Fund	Close end Venture capital fund	30%	Greece
Pyrrichos S.A.	Property management	51%	Greece
Hellenic Seaways Maritime S.A.	Maritime transport - Coastal shipping	40%	Greece
Euroak S.A. Real Estate	Real Estate Investment	33%	Greece
Gaia S.A.	Software services	26%	Greece
Olganos Real Estate S.A.	Property management/Electricity Production from Hydropower Stations	32%	Greece
Exus Software Ltd.	IT products Retailer	50%	United Kingdom
Marfin Investment Group Holdings S.A.	Holding Company	28%	Greece
Litus Advisory S.A.	Consulting in the fields of European Programmes, Communication Strategy and International Affairs	50%	Belgium
Selonda Aquaculture S.A.	Fish Farming	33%	Greece
NIREUS Aquaculture S.A.	Fish Farming	33%	Greece

12.3 Appendix III: Own Funds

	31.12.2015	AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	15,694,643	
Capital instruments subscribed by public authorities in emergency situations	2,040,000	
Own CET1 instruments	-460	
Retained earnings	-7,840,635	
Accumulated other comprehensive income (and any other reserves)	14,096	
Minority interests (amount allowed in consolidated CET1)	112,882	-104,885
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**10,020,526**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability) (negative amount)	-275,031	
Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-234,591	-549,791
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	0	
Other regulatory adjustments applied to Common Equity Tier 1	-19,494	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-41,954	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-571,070**	
Common Equity Tier 1 (CET1) capital	**9,449,455**	0
Additional Tier 1 (AT1) capital: instruments		
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	
Additional Tier 1 (AT1) capital before regulatory adjustments	**0**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	0	
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**0**	
Tier 1 capital (T1 = CET1 + AT1)	**9,449,455**	
Tier 2 (T2) capital: instruments and provisions		
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	
Tier 2 (T2) capital before regulatory adjustment	**0**	
Tier 2 (T2) capital: regulatory adjustments		
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	
Total regulatory adjustments to Tier 2 (T2) capital	**0**	
Tier 2 (T2) capital	**0**	
Total capital (TC = T1 + T2)	**9,449,455**	

12.4 Appendix IV: Leverage Ratio

CRR Leverage Ratio - Disclosure Template		€ 000's
	Reference date	Dec. 31, 2015
	Entity name	Piraeus Bank S.A.
	Level of application	Consolidated

Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amounts
1	Total assets as per published financial statements	87,528,216
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	-69,912
5	Adjustments for securities financing transactions "SFTs"	85,397
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,846,394
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-2,323,642
8	**Total leverage ratio exposure**	**87,066,453**

Leverage ratio common disclosure

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	85,955,457
2	(Asset amounts deducted in determining Tier 1 capital)	-529,560
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**85,425,897**

Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	285,349
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	82,422
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-660,290
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**-292,518**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	641
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	86,038
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**86,680**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	4,917,167
18	(Adjustments for conversion to credit equivalent amounts)	-3,070,772
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,846,394**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0

Capital and total exposures		
20	**Tier 1 capital**	**9,449,455**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**87,066,453**
Leverage ratio		
22	**Leverage ratio**	**10.9%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**85,295,808**
EU-2	**Trading book exposures**	**246,987**
EU-3	**Banking book exposures, of which:**	**85,048,821**
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	9,525,239
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	17,253,817
EU-7	Institutions	1,399,636
EU-8	Secured by mortgages of immovable properties	18,365,765
EU-9	Retail exposures	3,748,596
EU-10	Corporate	8,615,874
EU-11	Exposures in default	19,089,577
EU-12	Other exposures (eg equity, securitisations, and other non credit-obligation assets)	7,050,317