

# ANNUAL REPORT 2015

PIRAEUS BANK



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It doesn't matter what is said, what matters is who says it.  
It is the speaker who gives speech value, not the other way around.  
Words, phrases and ideas take on new weight, new power when  
delivered with confidence and conviction. Thankfully, confidence  
and trust are built up over time.

Piraeus Bank was at your side once more in 2015, as large and  
as small as it should be. As sturdy and as flexible as you wanted  
us to be. But as reliable as ever, and always speaking in clear,  
serious and simple terms.



The number 1  
is the largest  
number there is.



# HISTORICAL COURSE

## **1916-1975** **The first years**

- 1916: founding year of Piraeus Bank.
- 1918: the shares of Piraeus Bank are listed in the Athens Stock Exchange.
- 1963: Piraeus Bank is incorporated in the Group of Emporiki Bank of Greece.
- 1975: Piraeus Bank in the context of Emporiki's Group comes under state control.

## **1991-1999** **Growth and creation of 'critical mass'.**

- 1991: privatisation of Piraeus Bank.
- 1992: a year of reorganisation, cleanup and development.
- 1993: founding of Piraeus Leasing, Piraeus Mutual Funds and Piraeus Insurance Agency.
- 1996: founding of Tirana Bank in Albania.
- 1997: absorption of assets and liabilities of Chase Manhattan Bank in Athens. Acquisition of 30% of Sigma Securities and agreement for future acquisition of an added 21%; acquired in 1998.
- 1998: acquisition of Macedonia-Thrace Bank. Acquisition of Credit Lyonnais Hellas. Agreement for the acquisition of an important stake in Xiosbank which was completed in the beginning of 1999. Acquisition agreement for 56% of Marathon National Bank of New York which was completed in mid 1999.
- 1999: absorption of assets and liabilities of National Westminster Bank in Greece. Operational

and administrative integration of the three commercial banks of the Group (Piraeus, Macedonia-Thrace and Xiosbank). Acquisition agreement for Pater Credit Bank in Romania, which was incorporated to the Group in April 2000 and was renamed to Piraeus Bank Romania. Founding of the London Branch.

## **2000-2003** **Homogenisation of procedures and information systems**

- 2000: merger by absorption of Xiosbank and Macedonia-Thrace with Piraeus Bank. Creation of 'winbank', the first integrated electronic banking platform in Greece.
- 2001: completion of asset management and investment banking sectors' reorganisation by: merger of similar mutual funds, integration of Xios Securities and Macedonia-Thrace Securities into Sigma Securities SA. Agreement for the acquisition of ETVAbank, which expanded the market shares in banking, leasing and third-party wealth management.
- 2002: completion of a 57.8% acquisition of ETVAbank.
- 2003: Merger by absorption of ETVAbank by Piraeus Bank, Piraeus Investment SA by Hellenic Investment Company and ETVAbank Leasing by Piraeus Leasing SA.

### 2004–2008

#### Strong domestic presence and international expansion

- 2004: merger by absorption of Devletoglou Securities SA by Sigma Securities SA, and of ETVA Insurance Agency by Piraeus Insurance Agency.
- 2005: acquisition of 99.7% of Bulgarian Piraeus Eurobank AD (renamed to Piraeus Bank Bulgaria AD). Acquisition of 80% of Serbian Piraeus Atlas Banka AD (renamed to Piraeus Bank Beograd AD) and of 69% of Egyptian Commercial Bank (renamed to Piraeus Bank Egypt).
- 2006: merger and operational integration of Piraeus Bank branches in Bulgaria with Piraeus Bank Bulgaria.
- 2007: Acquisition of International Commerce Bank in Ukraine (renamed to JSC Piraeus Bank ICB). Acquisition of Arab Bank's network of branches in Cyprus. Renewal of the cooperation with the international ING Group in the field of bancassurance in Greece. Completion of the Share Capital Increase of the Bank by €1.35 bn.
- 2008: establishment of Piraeus Bank Cyprus Ltd.

### 2009–2011

#### Facing the first phase of the economic crisis

- 2009: issuance of preference shares without voting rights, for €370 mn, to the Hellenic Republic, under L3723/2008. Agreement for a ten-year exclusive cooperation in the sector of general insurance with Victoria General Insurance Company SA, subsidiary of ERGO International in Greece and member of the Munich Re Group.
- 2010: creation of winbank Direct ([www.winbank-direct.gr](http://www.winbank-direct.gr)), the first channel of online banking product selling.
- 2011: completion of a Share Capital Increase of €0.8 bn. Issuance of additional preferred stock without voting rights for €380 mn, for the Hellenic Republic under L3723/2008. Participation in the PSI with a sum of eligible bonds of €7.7 bn value; the total respective impairment recognised in the financial year 2011 amounted to €5.9 bn before taxes.

### 2012–2015

#### Shielding of the balance sheet and participation in the consolidation of the sector

- 2012: acquisition of the 'healthy' part (selected assets and liabilities) of ATEbank, which was placed under special liquidation at the time. Sale

of the participation (98.8%) in Marathon Banking Corporation. Acquisition of the total participation percentage of Société Générale (99.1%) in Geniki Bank. Participation in the Bond Buy-back Programme for the reduction of public debt.

- 2013: acquisition of deposits, loans, branches and human resources in Greece of the Bank of Cyprus, of Cyprus Popular Bank and of Hellenic Bank. Sale agreement for the participation percentage (93.72%) of Piraeus Bank in the share capital of ATEbank Romania. Signing of agreement with Millennium BCP for the acquisition of the capital share of Millennium Bank Greece. Share Capital Increase of €8.429 bn. Integration of the information systems of former ATEbank, Hellenic Bank, Bank of Cyprus and Cyprus Popular Bank to the uniform environment of Piraeus Bank's information systems. Legal merger and systems' integration of Millennium Bank Greece, thus completing the integration of all banking activities that were acquired from Piraeus Bank with the exclusion of those of Geniki Bank.
- 2014: issuance and offering in the international markets of a three-year senior bond to obtain medium term liquidity of €0.5 bn. Share capital increase of the Bank by obtaining capital amounting to €1.75 bn. Redemption of preference shares of the State in the amount of €750 mn (L3723/2008). Approval of the merger of Piraeus Bank with Geniki Bank, by acquisition of the latter by the former and completion of the Geniki Bank's systems integration in the unified environment of Piraeus Group's IT systems.

### 2015

Acquisition of the 'healthy' part of Panhellenic Bank. The integration of its systems was completed in July 2015.

Return of the sum of Special Securities received by the Bank to the Public Debt Management Agency, in the framework of Pillar 3 of L3723/2008, of a €2.2 bn total nominal value.

Liability Management Exercise (LME) involving the trade of securities for cash or shares (or any combination of the aforementioned) in relation to the senior unsecured bonds and preferred securities of €500 mn with fixed interest rate maturing in 2017, of €400 mn with variable interest rate maturing in 2016 and of €200 mn with variable interest rate and indefinite duration. The Liability Management Exercise was conducted in order to



strengthen the capital base of the Bank. Following a decision of the bond holder assemblies, an exchange was approved for the sum of the securities. Complete Assessment by the ECB of the four Greek systemic banks took place. Agreement on the sale of the participation percentage in the subsidiary Piraeus Bank Egypt SAE.

Completion of the book-building process regarding the offering of new common shares in cash amounting to €1.34 bn.

Approval from the European Commission of the revised Restructuring Plan of the Bank.

Completion of raising funds reaching the amount of €4.7 bn with the share capital increase with cash, capitalisation of liabilities via cash payments and contribution in kind of ESM bonds, and issuance of contingent convertible bonds that were covered solely by the Hellenic Financial Stability Fund.



# VISION AND VALUES

*Piraeus bank defines its vision taking fully into account where it is today: in the first place.*

With the trust of its customers, it will contribute to the restart of the domestic economy, offering innovative banking solutions to customers, while at the same time operating effectively and using its supervisory capital prudently.

Piraeus Bank Group carves routes with sustainable prospects, promotes innovative and sustainable entrepreneurship, leads its people with integrity empowering them with constant education, provides services of high standards to its customers, with responsibility, ensures transparency and builds with its every activity relations of trust.

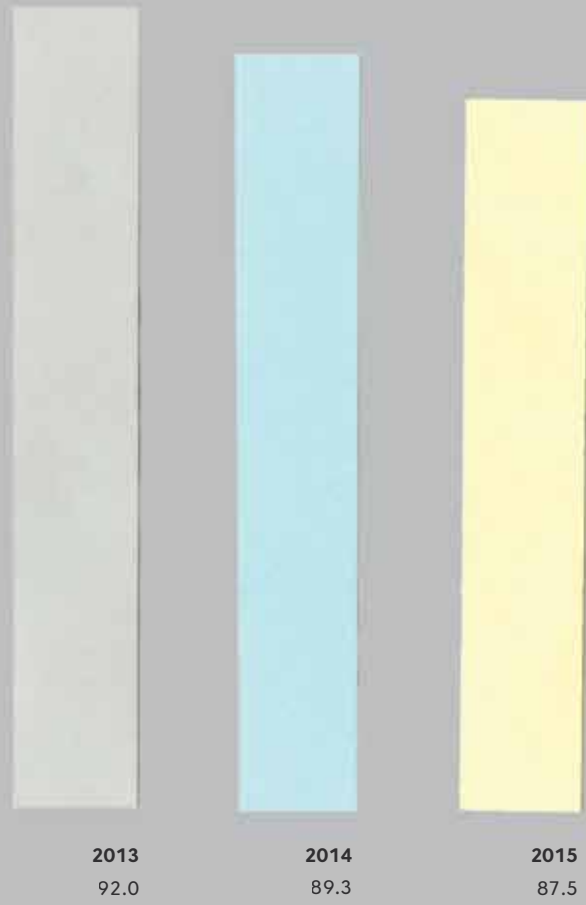
*The vision of Piraeus Bank is to be the No 1 trusted, most powerful bank financially with the broadest customer base in Greece.*

# SELECTED FACTS

- Active in Greece with a leading position in the market and in 7 other countries, 4 of which are members of the European Union.
- 989 branches<sup>1</sup>, 709 in Greece and 280 abroad.
- 19,279 employees<sup>1</sup>, 15,599 in Greece and 3,680 abroad, young in age (40 years is the average age), familiar with technology, fully trained, flexible regarding the adoption of new methods and practises.
- Pioneer in matters of supporting agricultural and green entrepreneurship.
- Pioneer in environmentally-friendly and user-friendly electronic banking through its web banking platform 'winbank.
- 5.6 mn customers<sup>1</sup> in Greece and in the other countries it operates.
- Firm position among the first ranked banks in Greece regarding customer satisfaction and loyalty.
- Contribution to society, culture and environment through a systematised and defined framework of actions and initiatives.

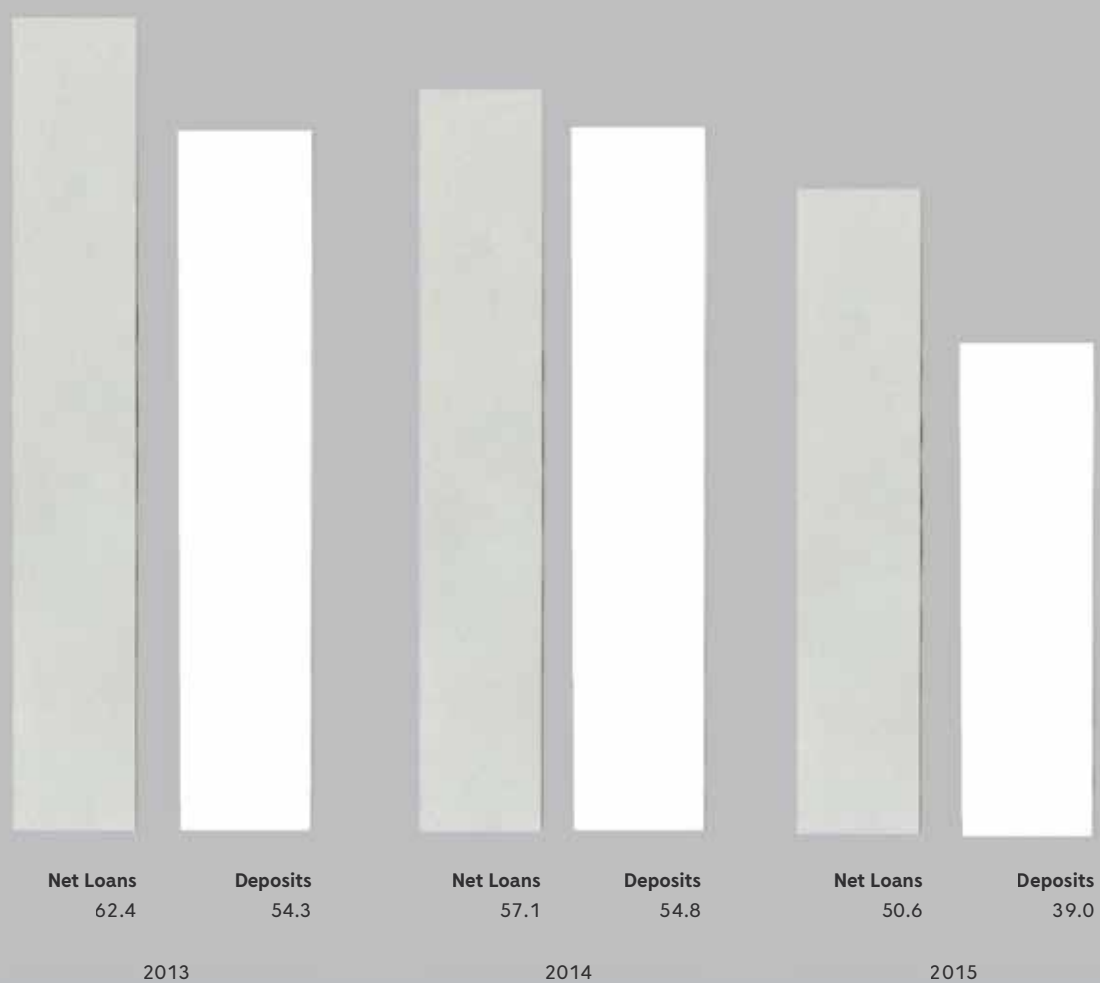
<sup>1</sup> Data of 31st December 2015.

**Group Total Assets (€ bn)\***



*\*The evolution of assets also incorporates divestment of operations according to the approved Restructuring Plan of Piraeus Bank.*

Group Net Loans and Deposits (€ bn)\*



\*The evolution of volumes also incorporates divestment of operations according to the approved Restructuring Plan of Piraeus Bank.

Recurring Pre-Provision Profit for the Group (€ bn)

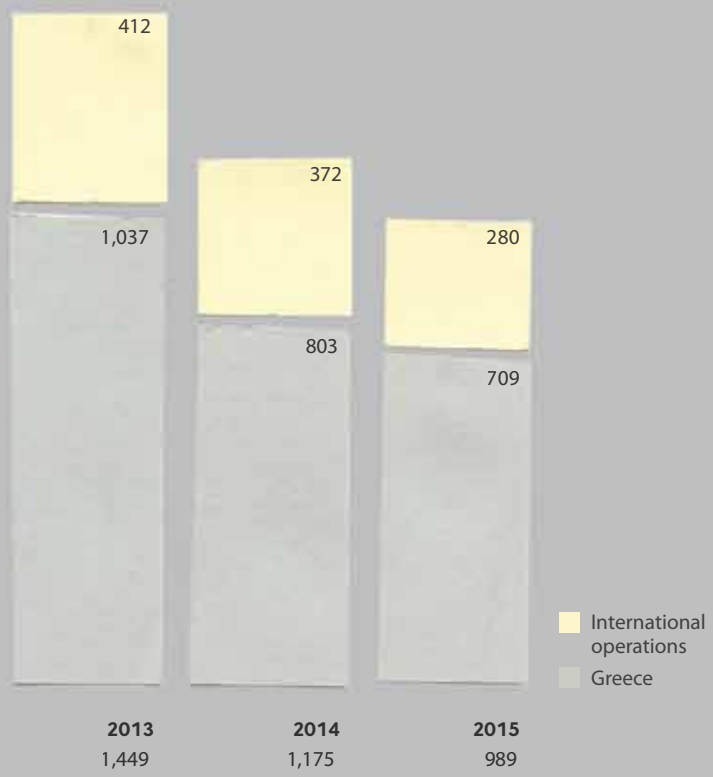


Group Recurring Operating Costs (€ mn)



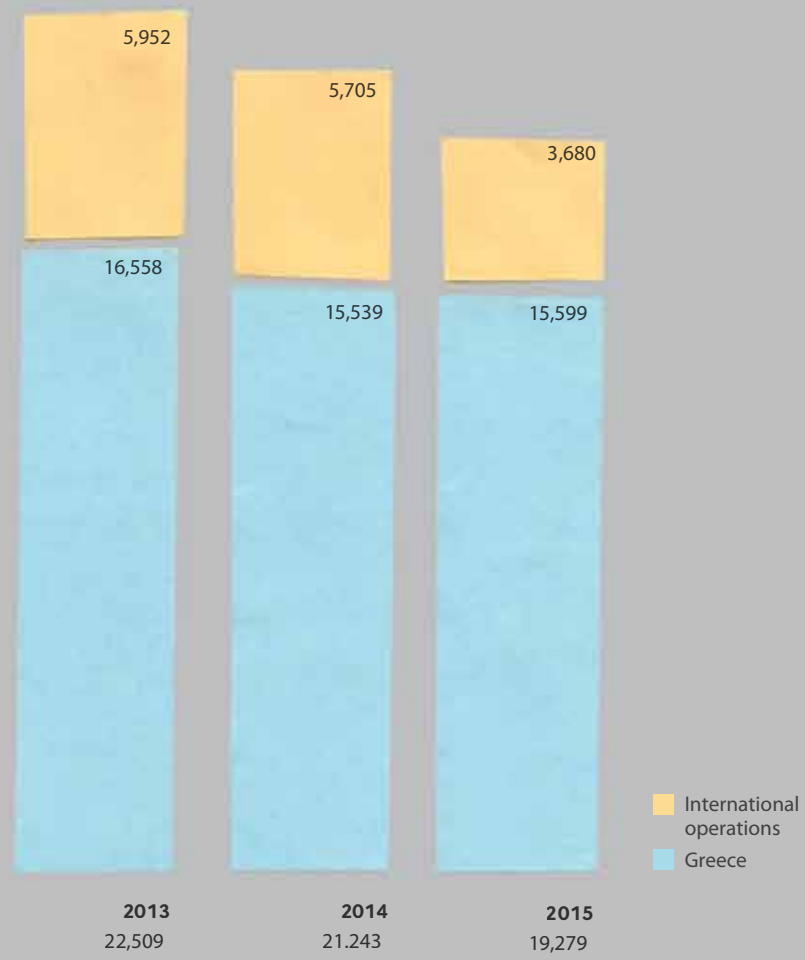


**Group Branch Network\***



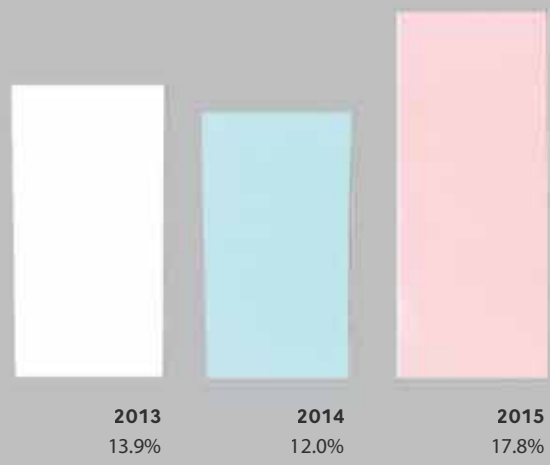
*\*The evolution of the number of branches also incorporates divestment of operations according to the approved Restructuring Plan of Piraeus Bank.*

**Group Human Resources (core operations)\***



*\*The evolution of the number of employees (FTEs) also incorporates divestment of operations according to the approved Restructuring Plan of Piraeus Bank.*

**Group Common Equity Tier-1\***



*\*2015 CET-1 on a pro-forma basis for divestment of operations of Piraeus Bank Cyprus and ATE Insurance.*



# CHAIRMAN'S LETTER TO THE SHAREHOLDERS

In 2015 a marginal recession of the Greek economy was recorded, with a reduction of the GDP by 0.3% on an annual basis. The outcome was definitely better than expected, based on the dense and greatly uncertain developments during the year, which resulted, among other things, in the imposition of restrictions on the movement of capital in the middle of the year. The limitations proved to have a much smaller effect on the economy, in the end, as the cash reserves reached in the middle of 2015 the historical high of €51 bn –approaching 30% of GDP– while companies as well as households had been prepared to a large extent for this eventuality.

The unemployment rate has been reversing steadily since the 2nd quarter of 2014, but still remains at high levels. In 2015 it stands in average at 25% from 26.5% in 2014. At the same time, the current account balance as well as the primary budget result as a percentage of GDP, have both been adjusted from the historically high levels at the beginning of the crisis (approaching zero from a 15% level).

It is our belief that the stabilisation of the international economic climate, combined with the low energy and interest rate prices and the measures to reinforce liquidity (ECB's Quantitative Easing), constitute an opportunity and a breath of fresh air for the Greek economy, in order to utilise the conjuncture and be able to recover steadily after years of recession. Following the completion of the economy's Assessment in June 2016, in particular, the economic environment is expected to be improved markedly, allowing the country to turn page.

In 2015, the Greek banking system was called upon to face big challenges, such as the huge outflows of deposits, the further increase of NPLs' volume, but also events unprecedented in the country, like the bank holiday and the imposition of capital controls.

The end of the year was sealed by the Comprehensive Assessment by the European Central Bank and the recapitalisation process of the 4 systemic banks. Through the share capital increases that were completed in the beginning of December 2015, the 4 Greek banks managed to attract €10 bn capital through the issuance of common stock; €8 bn of which were covered by the private sector. In addition, they absorbed capital amounting to €4 bn through CoCos from the Hellenic Financial Stability Fund. In total, the contribution of the HFSF amounted to €5.4 bn, which is quite lower than the initial estimation of €25 bn.

The recapitalisation created significant additional capital reserves, which further improve the resilience of the Greek banks' balance sheets, while they contribute to the gradual recovery towards a climate of trust, both for depositors and investors.

Besides the recapitalisation, the outflow of deposits was the element that defined the Greek bank-

ing market during 2015. The retreat of deposits from December 2014 until June 2015 was €47 bn and counterbalanced by the Eurosystem's support, from which the funding amounted to €127 bn at the end of June 2015, from €45 bn at the beginning of December 2014.

Following the termination of the bank holiday and until the end of 2015, the liquidity provided by the Eurosystem presented a considerable retreat by €19 bn, showing signs of a gradual improvement in the market's climate and the deposits' stabilization. The tendency of the Eurosystem to scale back funding continued for the first half of 2016, with a further reduction by €20 bn and the remaining balance amounting to €87 bn at the end of June 2016.

It is important to stress that the main part of the reduction in liquidity has remained in our country, with the increase of the Currency in Circulation in Greece constituting approximately 50% of the total outflow of deposits of the private sector. Currency in Circulation reached in June 2016 €47 bn, increased by €17 bn since the beginning of December 2014, while a historical high was noted at the middle of 2015 (€50 bn).

Regarding loans, the deleveraging at market level continued (-2% annually in 2015), while regarding asset quality, the ratio of non performing loans 90+ days past due over gross loans (NPLs) reached a 36% average for Greek banks, with the ratio of non performing exposures approximating 44% and with coverage ratio by provisions reaching around 50%.

Regarding the position of Piraeus Group in the domestic market, it is noted, firstly, that Piraeus Bank services the needs of approximately 5 mn customers in Greece, while it has the most extended network of branches in the country, approaching 700 units.

At the end of 2015, Piraeus Group had €88 bn assets, €51 bn net loans and €39 bn deposits. The market share in loans and deposits in Greece amounted to 30% and 27% respectively. Of the total, 2/3 concern loans to businesses, lending Piraeus Bank a leading role in business credit in the country, as it holds a share of 30% approximately in the sector.

Gross loans continued the deleveraging trend by 5% at a comparable base annually in 2015, while deposits were reduced by 26% respectively, mainly in Greece, due to the above mentioned reasons.

The loans to deposits ratio stood at 130% at the end of 2015 (132% in Greece), from around 100% in the beginning of the year, with the difference being a consequence of the deposits outflow, while the medium term target of the Group is to significantly improve the ratio at a level approaching 110%.

The ratio of loans in arrears over 90 days increased –at a markedly lower pace– to 39.5% at the end of 2015, while the index of coverage from provisions was reinforced significantly to 65% from 57% in 2014 and 51% in 2013. Along with collaterals, the coverage rate of loans in arrears surpasses 130%.

At this point, it is worth noting that the 1st quarter of 2016 was the first since the beginning of the crisis to record a negative NPLs creation for the Group; a positive outcome of the intensive efforts of Piraeus Bank's loan restructuring unit. Piraeus activated this Recovery Banking Unit since the beginning of 2014, aiming at the most effective management possible of loans in arrears according to the international best practices. Today, the Unit is staffed with more than 2,000 specialised executives, who handle 447,000 customers, with a total loan portfolio of €32 bn.

At the end of 2015, approximately €14 bn of Group's loans were restructured. These restructured loans concerned thousands of loan holders, who were supported in order to be able to deal with the conditions created by the crisis in Greece and continue to produce for the benefit of the economy and society, while retaining –as regards businesses– the valuable job positions. Furthermore, it is worth mentioning that out of a total of €10 bn of large enterprises and medium businesses' loans handled by the Bank's restructuring unit, more than €8 bn regard businesses in operation and from those approximately €5 bn regard businesses with operational profitability before tax, interest and depreciation in 2015. It is evident, thus, that Greek entrepreneurship is trying to find its stride and balance anew after the severe economic crisis. Piraeus Bank is determined to support such businesses so that they overcome today's challenges.

Regarding the results of the Group for 2015, the recurring pre-tax and pre-provisions profitability amounted to €1.1 bn, increased by 15% annually, while the net results in €1.9 bn loss due to the increased provisions that had to be assumed after the extraordinary developments, as well as for covering the needs that arose from the Comprehensive Assessment by the ECB. The total equity of Piraeus Group was significantly strengthened on 31.12.2015, as it embodied the leveraging of €4.6 bn in capital that was completed in December 2015 and amounted to €10 bn. Piraeus Bank wishes to thank all shareholders who participated in the book building process, from which €1.4 bn were raised, as well as to the bondholders who contributed €0.6 bn and to the HFSF that contributed with €0.7 bn in common stock and €2 bn in CoCos.

The regulatory CET-1 capital of Piraeus Bank amounted at the end of 2015 to €9.4 bn. The common equity Tier I capital ratio of the Group was shaped at the end of 2015 at 17.8%, while based on full application of Basil III regulations the ratio was shaped at 16.6%, which is an especially high level.

Following the 2015 share capital increases, the Greek systemic banks find themselves today among the top European banks with regards to the level of supervisory capital, with an average Common Equity Tier-1 capital ratio standing between 17-18%.

The sector literally had been going through fire and water since the beginning of the crisis and managed to remain intact. The absolute and ceaseless support from the European Central Bank and the Institutions contributed to this, along with the trust of private investment funds even in the most difficult of times.

As far as non performing loans are concerned, Piraeus Bank achieved significant reduction of the rate of new NPLs formation during the period 2014-2015, while it noted a marginal only increase of the rate during the last demanding months of 2015, following the imposition of restrictions in the movement of capital. For 2016, Piraeus Group's indications to the market are that it will significantly reduce the amounts of NPLs and, already, the performance of the 1st semester of the year is moving along that direction. In fact, within the first two quarters, from October 2015 until March 2016 Piraeus Bank achieved a reduction of NPLs amounts by €1.2 bn. It should be highlighted that on the 29th of November 2015, the European Commission for Competition approved the revised Restructuring Plan of the Group. It is also noteworthy that the new commitments do not diverge from the basic commitments of the Restructuring Plan which was approved in 2014, while they are aligned with the medium term strategic and financial goals of the Bank. Furthermore, based on the revised restructuring plan, the main targets of the Bank are focused on its activities in Greece.

In conclusion, these are the directions along which Piraeus Bank will continue to move ahead with all its strengths for 2016, taking action for the benefit of:

- its approximately 80,000 shareholders,
- its 6 million customers and its 19,000 employees in Greece and abroad,
- corporate responsibility actions, with special emphasis on the support of vulnerable social groups, as well as the preservation of culture and the preservation of traditional technology and industrial tradition, through the Piraeus Bank Group Cultural Foundation's (PIOP) network of thematic museums, which produces enviable work. In 2015, the Museums along with PIOP's Historical Archive in Athens had approximately 14% more visitors than in 2014, while more than 200 events were organised. Through the positive impact of PIOP's work and in combination with the rising number of visitors to its Museums, the positive climate for the Bank and its operations is reinforced.

At the same time, the Bank is a pioneer in the development of environmental programmes. While our infrastructures almost doubled during 2008, environmental performance was significantly improved, with the result of an annual €5 mn reduction in operating costs.

Piraeus Bank, being the biggest bank of the country, faces challenges with responsibility and sets the following additional priorities, apart from the significant reduction of NPLs:

- the improvement of its liquidity, with re-acquisition of the last period's outflows,
- the return to profitability during 2016, and
- the further improvement of its customers' quality of service, with new products and innovative solutions.

In Piraeus Bank we work towards the materialisation of our business goals. It is through our know-how, our devotion and the professionalism of our executives, along with our advanced technological infrastructure, flexibility and speed, that we provide solutions to the customers, even in the most difficult of times. This is the direction, towards which we shall continue.

A handwritten signature in black ink, consisting of several fluid, connected strokes. The signature is positioned above the printed name and title.

Michalis Sallas  
Chairman of the Board of Directors



Value is a word  
that in plural  
becomes  
something else.



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# GROUP'S FINANCIAL DATA ANALYSIS

## VOLUMES EVOLUTION

At the end of December 2015, the Group's total assets amounted to €87,528 mn, decreased versus December 2014 (€89,290 mn).

The Group's gross loans before adjustments at the end of December 2015 amounted to €68,071 mn, incorporating the disbursement of a seasonal loan of €1 bn to OPEKEPE (Greek Payment and Control Agency for Guidance and Guarantee Community Aid) for the payment of EU agricultural subsidies to approximately 700 thousand Greek farmers, which was repaid in full in the beginning of 2016.

Total loans in Greece were €63,922 mn and loans stemming from international operations €4,149 mn. The Group's total deposits amounted to €38,952 mn in December 2015, of which deposits in Greece amounted to €36,141 mn.

Regarding loans' customer category breakdown at year-end 2015, total Group business portfolio amounted to €44,525 mn, with retail loans amounting €23,546 mn. Business loans represent 65% of total Group loans, while retail loans 35% (25% for mortgages and 10% for consumer loans). Based on December 2015 data, Piraeus Bank Group holds the first position in the Greek banking sector, with 30% market share.

Net loans amounted at €50,591 mn, with Piraeus Group's loan to deposits ratio in December 2015 having improved to 130% from 104% at year-end 2014. However, the uncertainty during the first months of 2015, led to a significant outflow of deposits and consequently to a rising trend of the loans to deposits ratio; a trend that was reversed however after the last quarter of 2015.

<b>Gross Loans per category</b>			
<b>Amount in € mn</b>	<b>31.12.14</b>	<b>31.12.15</b>	<b>Change</b>
Loans to businesses	48,108	44,525	-7%
Retail loans	24,875	23,456	-5%
<b>Total loans</b>	<b>72,983</b>	<b>68,071</b>	<b>-7%</b>
Greece	66,068	63,922	-3%
International Operations*	6,916	4,149	-40%

\* 2015 International Operations data include the disinvestment from Egypt and the classification of Cyprus under discontinued operations.

<b>Deposits per category</b>			
<b>Amount in € mn</b>	<b>31.12.14</b>	<b>31.12.15</b>	<b>Change</b>
Sights – Savings	22,961	24,780	+8%
Time	31,870	14,171	-56%
<b>Total deposits</b>	<b>54,831</b>	<b>38,952</b>	<b>-29%</b>
Greece	49,450	36,141	-27%
International Operations*	5,381	2,810	-48%

\* 2015 International Operations data include the disinvestment from Egypt and the classification of Cyprus under discontinued operations.

### LOAN PORTFOLIO QUALITY

The formation of new non performing loans in 2015 continued its downward trend of the past two years, despite its increase during the 3rd quarter of 2015 due to the bank holiday and the capital controls, and remained in low levels during the 4th quarter of 2015 (12 bps for loans). The improvement is mainly due to the active management of the new loans in arrears portfolio by the Recovery Banking Unit (RBU).

The Group's NPLs ratio decreased to 39.5% at the end of December 2015 from 40.5% in September 2015; this is the first decrease of the ratio noted since the end of 2007.

Provisions of €3,487 mn were booked in 2015, with total cumulative provisions at year-end 2015 amounting to €17,480 mn.

The Group's NPL's > 90 days coverage by cumulative provisions stood at 65% at year-end 2015, significantly higher than December 2014 (57%). Per geographical region, the relative ratio stood at 65% in Greece and 66% abroad. Including tangible collateral and guarantees, the coverage reaches 133%. The Group's cumulative provisions to gross loans ratio at year-end 2015 reached the particularly high level of 26% (with 29% for business loans, 10% for mortgages, 39% for consumer loans and credit cards) versus 22% in December 2014.

### CAPITAL ADEQUACY

The Group's total equity at the end of December 2015 amounted at €10.0 bn, including the amount of €4.6 bn capital raised, realised in December 2015, shaping the leverage ratio at 11%. Respectively, the CET-1 regulatory capital stood at €9.4 bn. At the end of 2015, the Common Equity Tier I ratio stood at 17.8% (pro-forma for divestments of operations of Piraeus Bank Cyprus and ATE Insurance). The Common Equity Tier I ratio, with full implementation of Basel III regulations, stood at 16.6%.

## RESULTS EVOLUTION OF PIRAEUS BANK GROUP

The Group's FY 2015 net revenues amounted to €2,393 mn, while net interest income (NII) –which constitutes 78% of net revenues– stood at €1,877 mn. The continuing de-escalation of the average monthly cost of term deposits, which fell to 114 bps in December 2015 from 195 bps in December 2014, contributed significantly, despite the increased deposits' outflow during the first half of the year. Additionally, interest on new term deposits in Greece fell further in December 2015 to 95 bps, decreased by 80 bps versus December 2014.

Net interest margin (NIM) for 2015 reached 2.65% (as percentage of assets excluding EFSF bonds). NII from Greek operations amounted to €1,677 mn in 2015, with NII from international operations to €200 mn. Net fees & commissions amounted to €306 mn in 2015, with 91% stemming from commercial activities.

The Group's operating expenses amounted to €1,473 mn in 2015, of which 52% were related to staff expenses (€772 mn), 40% to administrative expenses (€589 mn) and 8% to depreciations and other expenses (€112 mn). 2015 operating expenses include €119 mn one-off expenses for the voluntary exit scheme in Greece, which was completed in 2016. Excluding one-off costs, the cost to income ratio was 53%, decreased by at least 4% compared to 2014. As a result of the abovementioned, the Group's recurring profit before tax and provisions for 2015 amounted to €1.1 bn, increased by 15% versus 2014. 2015 results were burdened by significant provisions for loans, which amounted €3,487 mn, reflecting adverse market conditions and falling real estate prices. 2015 provisions amounted to €17,480 mn (26% of the loan portfolio).

Pre-tax results amounted to €2,930 mn in losses, while Group net results from continuing operations attributable to shareholders amounted to €1,858 mn losses in 2015.

<b>Group (€ mn)</b>	<b>31.12.14</b>	<b>31.12.15</b>
Total Assets	89,290	87,528
Customer Deposits	54,831	38,952
Gross Loans	72,983	68,071
Provisions	(15,840)	(17,480)
<b>Total Equity</b>	<b>7,322</b>	<b>10,021</b>
	<b>FY 2014</b>	<b>FY 2015</b>
Net Interest Income	1,953	1,877
Net Fee & Commission	314	306
Trading Income	(47)	116
Other Income	74	74
Extraordinary Income	(3)	19
<b>Net Revenues</b>	<b>2,413</b>	<b>2,393</b>
<b>Recurring Net Revenues</b>	<b>2,293</b>	<b>2,374</b>
Staff Costs	(663)	(625)
Administrative Expenses	(545)	(528)
Depreciation & Amortization	(106)	(102)
Extraordinary Expenses	(129)	(219)
<b>Total Operating Expenses</b>	<b>(1,443)</b>	<b>(1,473)</b>
<b>Recurring Operating Expenses</b>	<b>(1,314)</b>	<b>(1,254)</b>
Profit before Provisions, Impairment & Income Tax	970	920
<b>Recurring Profit before provisions, impairment &amp; Income Tax</b>	<b>979</b>	<b>1,119</b>
Share of profit of associates	5	(13)
Impairment losses on loans	(3,670)	(3,487)
Impairment losses on other receivables & other Provisions	(319)	(351)
<b>Pre-Tax Result</b>	<b>(3,014)</b>	<b>(2,930)</b>
Income Tax	1,069	1,069
<b>Net Result Attributable to Shareholders</b>	<b>(1,938)</b>	<b>(1,858)</b>
Net Result from Discontinued Operations	(27)	(35)

*General note: Piraeus Bank Group Egypt SAE companies were as discontinued operations on 30.9.2015 and ceased to be consolidated on 31.12.15 after their sale (10.11.15). Furthermore, the companies of Piraeus Bank Group Cyprus LTD were classified as discontinued operations on 31.12.2015. The results of all periods have been adapted in order to be comparable. Finally, in the 2015 balance sheet, data assets and liabilities of the 'healthy' Panhellenic Bank have been incorporated (acquired on April 2015), while the results for the period 15.04-31.12.15 are included in the results of the company.*



Hands can think.

Hands can talk.



# ECONOMY DEVELOPMENTS

## GREEK ECONOMY

2015 was a year of intense developments at a political and economic level. The delay in the achievement of an agreement with the EU partners, the conduct of the referendum, the bank holiday and the imposition of restrictions in cash withdrawals and movement of capital, as well as the calling of snap elections, constituted the basic factors of uncertainty.

On the 19th of August the European Commission signed a Memorandum of Understanding with Greece, as the Board of Governors of the European Stability Mechanism approved further support connected with a third economic adjustment programme of a three-year duration. Basic goal of the programme is to bring the Greek economy back to a sustainable growth path through the rationalisation of public finances, increased competitiveness, reinforcement of employment and financial stability.

The agreement includes a contract for financial facilitation with the ESM, with the final goal to cover total funding needs of up to €86 bn. In the framework of the agreement, Greece must implement a wide programme of reforms based on four pillars: restoration of the sustainability of public finances, securing of financial stability, reinforcement of competitiveness and growth, and modernisation of the State and Public Administration.

The increased uncertainty was imprinted on the economic sentiment indicator, which in August 2015 retreated to 76.1 units, the lowest level since the beginning of 2009. However, the signing of the agreement and the successful recapitalisation of the banks contributed significantly to the reversal of the negative climate and the speedy recovery of sentiment indicators. On the whole, in 2015, the economic sentiment indicator stood at 89.4 units from 100 units in 2014. In 2015, based on seasonally adjusted data, the Greek economy marked a marginal recession of -0.3% (0.7% in 2014). According to the basic constituents of the GDP, in 2015 the contribution of domestic demand was positive –due to the increase of private consumption and gross fixed capital formation– as was that of external trade, since the drop of imports exceeded the corresponding drop of exports. Contrarily, the change in inventory had a negative contribution to the rate of GDP change.

The deflation trend in the Greek economy continued in 2015, resulting in nominal GDP contraction. Inflation –based on the consumer price index– dropped to -1.7% (-1.3% in 2014). The reduction of oil prices contributed to the containment of inflation, when conversely from the middle of the year the prices were upwardly affected from the increased indirect tax rates. Unemployment rate has been steadily falling on an annual basis since the 2nd quarter of 2014,

but still remains at high levels. On the whole, unemployment rate in 2015 reached an average of 24.9%, compared to 26.5% for the respective period of 2014.

At the same time, in 2015, a marginal deficit of -€98 mn (-0.1% of GDP) was recorded in the current account balance compared to a deficit of -€3.8 bn in 2014 (-2.1% of GDP). This development is primarily due to the reduction of the deficit in the balance of trade, while the surplus of the balance of services was limited due to the drop of net collections from transportation. Conversely, the surplus in the balance of travel items was improved at €12.1 bn (€11.3 bn in 2014), due to the increase of revenues 5.5%.

In 2015 the public deficit, based on ESA-2010, was -7.2% of the GDP compared to -3.6% in 2014. However, excluding the impact of aid to financial institutions, the public deficit is limited to -3.2% of the GDP in 2015 compared to -3.7% in 2014, while the primary balance shows a surplus of €1.1 bn (0.6% of GDP). At the same time, the primary surplus based on the methodology of the Memorandum of Understanding on Specific Economic Policy Conditionality is estimated at 0.7% with a target of -0.25% of GDP. Finally, the public gross debt in 2015 amounted €311.5 bn (176.9% of GDP) compared to €319.7 bn in 2014 (180.1% of GDP).

### SOUTHEAST EUROPE

In 2015, the majority of countries in Southeast Europe were in a process of reorganizing their economies. As Europe is expected to stay on a path of modest growth, the economies of Southeastern Europe continue the effort to redefine growth models. This effort began with slow and steady pace during the previous years, while from the beginning of 2015 was intensified. Basic priorities are the disengagement of growth from sectors such as those of services and banking operations. The shift of economies towards the growth of industrial production yielded in 2015 significant gains, resulting in a more positive outlook for the following years. The relocation of the productive lines of multinational companies to countries like Serbia, Romania and Bulgaria improves significantly the conditions in the employment market, upgrades investments, increases exports and as a consequence the economic activity as a whole.

In 2015, the economy of countries in Southeast Europe exhibited significant improvement with positive signs in midst of the continued uncertainty in the periphery of the European Union. Inflationary pressures are expected to remain quite subdued and to range below the targets of the central banks for the current year as was the case in 2015, due to the reduction of international prices of basic commodities. In the public and external sectors the countries of Southeast Europe managed to correct the imbalances, with the levels of debt and current account balances reaching manageable and sustainable levels. Major challenges for the countries of Southeast Europe in 2016 are the preservation of the growth dynamic, the combating of inflationary trends, the management of non-performing loans, as well as the safeguarding of the sustainability of the public sector. It is worth noting that in 2016, the Financial Assistance Programme for Cyprus ended, with the country being already in a course of growth after only three years.

# MARKET REVIEW

Equity markets exhibited a mixed picture during 2015, as the prices of European equities (based on the Stoxx Europe 600 Index) rose by 7% and of Japanese shares (based on NIKKEI 225 Index) by 9%, whereas the prices of US equity (according to S&P500 Index) fell marginally by 1%.

In total, shares' prices (based on the MSCI World Index) fell 3%, as the prices of shares of emerging economies retreated 17%. The quantitative easing programmes implemented by the ECB and the Bank of Japan were key factors for the positive evolution of share prices in Europe and Japan respectively.

Despite the very low inflation during 2015, yields of government bonds were slightly increased. Indicatively, it is worth mentioning that the yield of the ten-year US government bond rose by 10 bps, just as that of the respective German bond. However, more important was the significant increase that was noted in the yields of high-yield corporate bonds.

The international energy prices fell significantly during 2015, as the price of American crude oil fell by 30% and that of Brent by 35%. In addition the prices of industrial metals (based on the S&P GS Industrial Metals Index) fell by 23% and of gold by 2%. In total, the prices of commodities (based on the S&P GS Commodities Index) dropped by 25% and of freight rates (based on the Baltic Dry Index) by 39%.

The US dollar was strengthened by 11% (trade-weighted exchange rate) during 2015, while on the contrary the euro fell by 8% (trade-weighted exchange rate). More specifically, the euro dropped by 10% in relation to the US dollar due to the opposite currency policies followed in 2015 by the FED and the ECB. Despite the liquidation of a significant part of the currency reserves from the People's Bank of China, the Chinese yuan fell by 5% in relation to the US dollar. In total for 2016, the factors of economic, currency and political uncertainty seem to shape a difficult investment environment. However, the Central Banks have the intention to proceed to actions that will support economies and markets.

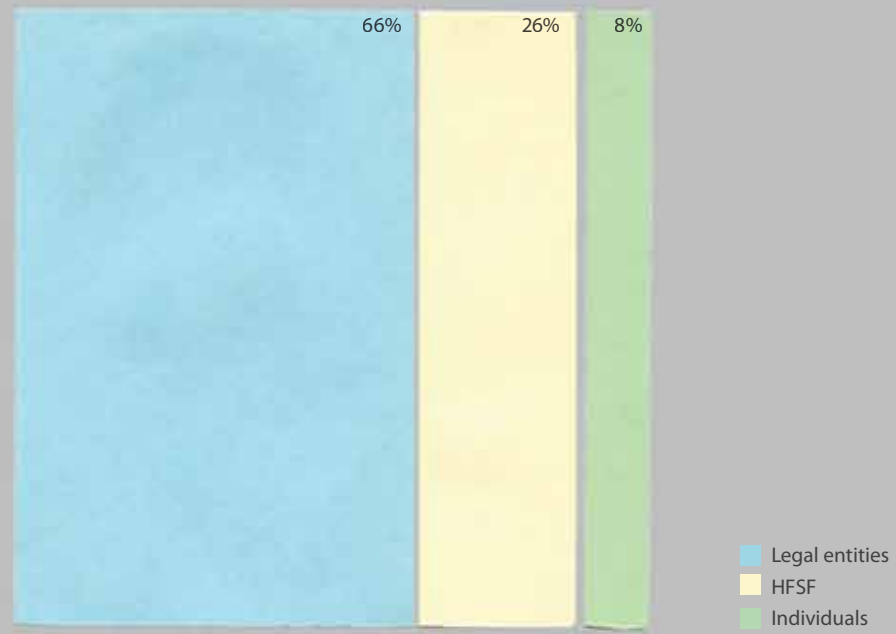
### PIRAEUS BANK SHARE

On December 3, 2015, Piraeus Bank announced the listing of 8,672,163,482 new common intangible voting shares of the Bank with a nominal value of €0.30 each, which were issued as a result of the share capital increase of the Bank, according to the decision of the Extraordinary General Meeting of common shareholders of the Bank on the 15th of November 2015, as this was elaborated with the decisions of the Bank's Board of Directors dated on 20th November and 2nd December 2015, with the abolishment of the preference right of old shareholders.

On December 31, 2015 the share capital of the Bank amounted €2,619,954,984 divided into 8,733,183,280 common voting shares of €0.30 nominal value each. Piraeus Bank common shares are intangible and listed on the Athens Stock Exchange. It is noted that according to the provisions of L3864/2010 and the Act of the Council of Ministers 38/2012 and 6/2013, the HFSF has issued 843,637,022 warrants to private investors who participated in the share capital increase of 2013.

Intense volatility and variations were present for most of 2015. Piraeus Bank share closed at the price of €0.28 on the 31st of December 2015. The overall path of the Athens Stock Exchange was also affected negatively in 2015 from the closing of the market for 25 working days, due to the bank holiday and the imposition of restrictions in the movement of capital from the end of June. The Athens Stock Exchange opened again on the 3rd of August 2015, but the restrictions in the stock market for Greek investors remained in force until the 9th of December 2015, affecting negatively the transactional activity.

### Shareholders' Structure



Reference date: December 31, 2015.

# TARGETS AND OUTLOOK FOR 2016

Piraeus Bank Group, having been established as a credit institution with a leading position in the Greek banking market, has the responsibility to be a mainspring for the recovery of the Greek economy. At the same time, Piraeus continues to retain its character as a bank providing specialised services to medium and small enterprises and in general as a bank of the mid-size segment of the market.

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

In 2016 in particular, despite the adverse economic conditions in Greece and abroad and the exceptional challenges for the banking sector, Piraeus Bank focuses on major issues such as the improvement of asset quality with new solutions to the issue of NPLs, the reinforcement of liquidity through gradual return of deposits and the return to profitable results with continuous improvement of revenue sources and operational effectiveness.

In addition, the effort for further deleveraging of the international operations is expected to continue, according to the commitments of the Restructuring Plan.

Piraeus Bank Group's strategic priorities are:

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



Silence is golden.  
Talking is too.



# OPERATIONS IN GREECE

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

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

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

At year-end 2015, approx. 92% of the Group's total assets was composed of domestic assets. Domestic activities constituted 91% of total net revenues for the financial year ending on 31.12.2015. 94% of Group loans to customers were related to borrowers in the domestic market. Piraeus Bank continues to have a broadly dispersed presence in various sectors of the economy, while its credit exposures are significantly secured with collaterals and guarantees, in addition to cumulative provisions.

With regard to 2015 financial performance, gross loans of Piraeus Bank and its subsidiaries in Greece amounted to €63.9 bn, of which approx. €1 bn was related to a seasonal agri-loan to OPEKEPE (which was repaid in early 2016) enabling the disbursement of the EU subsidies funds to approx. 700 thousand farmers. Total business portfolio constitutes 65% of total portfolio, while loans to individuals 35%. In Greece, the non-performing loans over 90 days in arrears of total loans ratio was 39.4% at the end of 2015 from 39.4% the previous year. The

Group's deposits in Greece amounted to €36.1 bn, representing 27% of the Greek deposit market at year-end 2015.

Piraeus Bank is the leading bank in Greece in terms of deposit market share (27%), while its loans' market share reached 30%.

Key Volumes in Greece	31.12.2014	31.12.2015	Change
Gross Loans (€ mn)	66,068	63,922	-3%
Customer Deposits (€ mn)	49,450	36,141	-27%
Branches (#)	803	709	-12%
Employees (#)	15,539	15,599	0%

The significant outflow of the Group's domestic deposits is highly connected with the conditions in the Greek market, especially during the first half of 2015, leading to the bank holiday and the imposition of capital controls.

Following the completion of the recapitalisation in autumn 2015, conditions were stabilized and in December a slight deposit inflow was recorded both for the market and Piraeus Bank.

## RETAIL BANKING

The Group's domestic operations in Retail Banking are conducted through the Bank and its branch network, as well as through alternative distribution channels, such as the e-banking platform winbank. The Bank's retail banking customers are offered a wide range of different types of deposit, credit and investment products, including savings or current accounts, time deposits, investment products, consumer loans and mortgages, credit cards, bancassurance and insurance products, along with a wide spectrum of banking services. Having completed in 2014 the customer base consolidation of the merged banks and of Panhellenic Bank (June 2015), Piraeus Bank now holds the leading position in Greece in the majority of Retail Banking operations.

However, the Greek banking system, as well as Piraeus Bank, went through the greatest test of the past years during 2015, due to the severe liquidity deterioration from the concerns regarding the developments in the country's financing, the bank holiday and the imposition of capital controls. The consequences, albeit negative, so far have proved to be manageable. The domestic customer deposits' outflow from the Greek banks, together with the consequences of the deterioration of the economy during the previous years, led to a 23% reduction of domestic deposits in the private sector in the Greek banking system on 31.12.2015, compared to 31.12.2014.

Consequently, the Bank's deposit base faced deterioration along with that of other banks. During this period, there has been major concentration in communicating with customers, by presenting actual data regarding the banking system, insisting steadily on providing substantial information. Communication with the Bank's customers remained active and continuous throughout the bank holiday, as well as during the period of capital controls. Special attention was given to the provision of necessary access to the Bank's customers in order to ensure and facilitate, as much as possible, smooth transactional activity. In this context, the Bank provided direct issue of debit cards and access to e-banking, while during the first day after the bank holiday, it secured the continuous and sufficient supply of 1,820 ATMs around the country. The Bank's efforts created an especially high level of satisfaction to its customers and the market in general, which is also reflected on satisfaction surveys where the Bank steadily holds the first position.

During 2015, the Bank's highest level e-banking services and payment systems were exploited by a tremendous number of customers, contributing to the improvement of transactions services, the reduction of operating cost, the smooth transition towards a transactional behaviour towards using services through alternative channels and the growth of the degree of customer satisfaction.

Working with the latest international practices, 2016 is expected to constitute a turning point

for the Retail Banking operations, and Piraeus Bank will actively contribute in customers' trust restoration towards the Greek banking system.

To this end, the Business Planning/Quality and Effectiveness Monitoring Unit was formed, focusing its actions, from the first year of operation, on the coordination of large projects and the operations of Retail Banking, Branch Network and Deposits Units, the continuous upgrade of the Branch Network operations and the monitoring of their effectiveness. With a wide spectrum of actions, it actively contributed on the formation of interactive channels of communication between the Management of the Branch Network and its executives, aiming to achieve the Bank's strategic priorities and the continuous upgrade of the level of services and customer experience. Participation and support in the formation and monitoring of the business plan and annual budget progress, as well as management and monitoring of selective large scale projects, are some indicative examples. Business orientation projects are the coordination of business actions and the cooperation with companies of the Group aiming at the exploitation of synergies and the upgrade of the services provided.

Additionally, the Unit implemented a number of actions regarding the operation optimisation and effectiveness of the branches and the upgrade of customer experience. Indicatively, the design and implementation of the effectiveness tool 'PYXIDA' is mentioned, through which substantial communication between the Management and the branch network is actively developed, by monitoring strategically selected ratios. The Unit's participation in the structuring of the branch network operation model, the implementation of initiatives stemming from the regular monitoring of important operations and ratios, the structuring of extraordinary prevention mechanisms for the safeguarding of the smooth operations of the branch network, the effective management of customer complaints through quality controls on recorded complaints, constitute representative zones of initiatives and actions.

#### **RETAIL BANKING OPERATIONS DEVELOPMENT MASS RETAIL SEGMENT**

Mass Retail Segment is an especially important part of Piraeus Bank's clientele. It includes approximately 80% of private customers and contributes with a very high percentage in the revenues of the Bank. In addition, these customers hold a significant part of the deposit, investment and loan balances.

*The goal of Mass Retail Segment  
is the development of the relationship  
of these customers with the Bank and  
the encouragement of a multi-channel behaviour  
utilising the electronic service channels  
to the highest level.*

2016 priority is the adoption of an integrated operating model for Mass Retail Segment; a model that includes the sub-segmentation of the clientele, the identification and understanding of customers needs, the formulation of an integrated commercial approach (products, services, tools, procedures) according to their 'life cycle' phase and their relation with the Bank, which will improve their total service experience.

#### **AFFLUENT BANKING SEGMENT**

Affluent Banking of the Bank increased its pace during 2015, making the service of affluent customers more effective and reinforcing the uniqueness of their experience during their in-

teraction with the Bank. Piraeus Bank, further recognising the value of developing integrated relations with its affluent clientele, adopted a specific organisational structure for sales and business development in order to facilitate the focus on the needs of these specific clients.

The new structure allows focusing on key goals, which are the holistic approach for satisfying the whole of the financial needs of the customer, the orientation towards a multi-channel service and offering of continuously improving and innovative products and services.

In 2015 a wide range of services and upgrades was completed and offered, out of which the following stand out:

- Introduction of the innovative specialised service ‘Organising your Finances’ exclusively for the clients of Personal Banking in an electronic format, during which and through the procedure of a personal interview, an investigation of the needs of the customer, an assessment of the customer’s existing economic situation and extraction of a personalised report are conducted.
- Agreement for an exclusive collaboration with one of the biggest international firms providing audit, tax and consultancy services, with access to its know-how regarding tax issues that concern the customers of Personal Banking.
- Beginning of the operation of a Specialised Telephone Service Team for Personal Banking customers, working 24/7/365, through a distinct exclusive telephone line. The team is informed about the services, the products, the service method and the special needs of affluent customers of Personal Banking.
- Deployment of the new Personal Banking logo in distinct spaces and in 266 selected branches of the Network, winbank and the communication material received by the customers.
- Complete redesign of the section of Personal Banking on the website of the Bank with the adoption of innovative practices and use of interactive elements (educational video, computers, communication form etc).
- Continuous training of the Personal Banking Officers in the context of the ‘School of Personal Banking Officers’, provision of support to them through the Personal Banking Area Managers and of guidance with the goal of proper customer service, even under the special circumstances of 2015.

At the end of 2015, Piraeus Bank Personal Banking had the ability to service customers in 266 branches of the Network, covering the greater part of the affluent customers of the Bank with significant capital under management. In terms of results, the issuance of credit and debit cards showed notable increase, as the introduction of new users to winbank did. The cross-sales index increased and stood at 5.8 on 31.12.2015 compared to 5.3 on 31.12.2014. In addition, an increase was noted in the percentages of Life Insurance product possession and Mutual Funds possession, which balanced to a significant extent the outflow of deposits that followed the trend of the market.

#### SMALL BUSINESS BANKING SEGMENT

In 2015, a new model of Small Businesses and Professionals Banking was developed and adopted, with the creation of a specialised unit, the basic operations of which were:

**Small Businesses and Professionals Products:** Development of innovative products and flexible procedures that aim to cover particular needs of businesses, according to their special characteristics. During 2015, emphasis was placed on the qualitative expansion of the portfolio, especially in relation to the funding of healthy businesses and professionals through ‘Piraeus Epixeirein’ products, as well as through the specialised co-funded programmes via ETEAN. In addition, a series of ‘Green Epixeirein’ products was developed for the energy upgrade of businesses, supporting actively the green character of the Bank, while the transition of the portfolio of Panhellenic Bank was successfully completed.

Aiming at an integrated approach of businesses, the Bank created product packages addressed to sectors of the economy with common characteristics and needs. The first pilot implementation was in the Tourism sector with ‘Piraeus Tourism 360°’ which includes products and services that cover the whole range of business needs (deposits, capital movement, loans, consultancy services, insurance products).

Finally, the specialised product unit is actively involved in projects related to the further upgrade of provided services through 'acquiring' and the development of the new innovative platform of application submission for card acceptance terminals.

#### CUSTOMER EXPERIENCE

Piraeus Bank, focusing heavily on the enhancement of its customer-centric culture, pursues dynamically the last years the improvement of the customer experience. Through the establishment of the special Customer Experience Unit and having as guideline the understanding of customer needs, the Bank aims to ensure that the customer will remain at the centre of its strategic decisions, through two main pillars; the meaningful utilisation of feedback and the creation of multichannel customers.

In this context, during 2015 as well, the Bank continued to implement the programme 'Voice of the Customer', a tool through which, with a structured way, information is collected and analysed affecting decisively the customer experience, the existing products and services of the Bank are assessed meaningfully and new ones are developed for the future needs of customers.

In parallel, apart from the data collected by the Voice of the Customer programme, a specialised team collects and analyses, under a unified approach, all customers comments, from all the channels that have the capability to record comments, such as the complaint submission channels, the communication forms on the websites of the Bank, the social media, the promotional actions, etc. The most important goal of this collection and analysis is the 'translation' of the specific comments into actions –which are forwarded, on a 3-month basis, to the relevant Divisions of the Organisation– that will optimise the provided products and services.

More specifically, during 2015, there were 76,654 customer comments collected from all channels, out of which 518 improvement actions emerged, 26% of which has already been completed, while 29% is in a process of investigation and development from the relevant Divisions.

In addition, among the targets for 2016 is the creation of a special customer comment analysis software (text mining), through which, among others, comments will be categorised automatically to positive, negative, neutral (sentiment analysis). Apart from this categorisation, the issues mostly referred to by customers and the improvement suggestions will be identified with the goal of directly forwarding them to the relevant teams of the Organisation for immediate implementation.

Furthermore, Piraeus Bank, timely responding to the banking market conditions, continues to primarily target the promotion of the alternative channels to customers, in order to familiarize with them and choose them consciously and systematically for their everyday transactions, saving valuable time.

Based on the aforementioned and taking into consideration the value of the available alternative channels, and specifically of ATMs, Easypay Kiosks as well as of the award winning electronic banking service Winbank Web Banking, Piraeus Bank proceeded to the expansion of the programme for alternative channels promotion to 300 more branches. Through this expansion, at the end of 2015, there were 479 branches of Piraeus Bank where a systematic promotion of the specific services was taking place, investing significantly in the specialised training of their executives.

In addition, in 400 of these branches, experienced executives are able to inform customers about the benefits and potential of the use of web & mobile banking services, making on the spot and interactively their transactions through a tablet and/or installing the mobile banking application on customers' mobile phones. Finally, in 100 of these branches customers who completed their transaction through tablet have the ability to print the relevant documents in special printers located in the branches.

## CUSTOMER INNOVATION – CUSTOMER EXPERIENCE &amp; LOYALTY

In 2015, the Customer Experience & Loyalty team focused even more its actions on the understanding of the customer needs and the promotion of innovative services that aim at the creation of a relationship of trust and reciprocity with the Organisation, utilising the use of new technologies. In this context, it expanded customer experience in digital mediums of the Bank, developed further the 'yellowday' service and contributed to the promotion of a new time deposit product. Keeping up with current trends and aiming at retrieving and attracting deposits, but also at the implementation of the Bank's strategic goal for the establishment of a Customer Loyalty Programme, the enriched time deposit product 'Sta Metra Sou' was planned at the beginning of December 2015. The Customer Experience & Loyalty team in collaboration with the product team of Deposits, introduced the 'Sta Metra Sou' time deposit, rewarding the mass retail and affluent depositors-customers and promoting all businesses who participate in this action. With the new Programme, the customers have the ability to collect points depending on the term and size of their deposits, which they can then redeem for gift cheques and/or discount coupons from big collaborating firms, such as Sklavenitis, Masoutis, Chalkiadakis, Shell, Wind, Public, ATTICA and Intersport.

In the context of the needs of the strategic planning of Retail Banking and of individual product teams, the conduct of customer experience journey maps, the personas composition and the investment in google analytics were completed for the measurement of all actions of users on the websites.

Utilising the capabilities offered by new technologies, the specialised team of UX applied methods such as user testing, one-to-one user interviews, AB testing, tree testing to record, analyse and map the experience of the customers ('user experience') and his/her interactions at the digital mediums of the Bank.

In addition, focusing on the familiarisation of the customers with products and services through electronic interactive tools, the online availability and acquisition of complex banking products through the electronic distribution channels of the Bank ([www.piraeusbank.gr](http://www.piraeusbank.gr), *winbank*) was introduced and the online provision of information for customers through ATMs and the group websites was enhanced. As a consequence, the total traffic to [www.piraeusbank.gr](http://www.piraeusbank.gr) was increased by 54% (33 mn visits), the traffic from search engines was increased by 71% and the followers/visitors ('fans') of the winbank facebook page were increased by 15%.

Regarding the customer service through social media, especially during the first crucial period of capital controls, the specialised Digital Presence Management team handled approximately 2,000 messages and queries from users with an average response time of about 20 minutes.

Focusing on rewarding the customer and on his commitment, the yellowday team with coordinated and targeted promotional actions invested in making yellowday the main aid and compensatory tool in the customer's transactional conscience. There were 5,000 offers uploaded on this service, while more than 900 businesses were included in the list of collaborators of the service, covering every sector of everyday or special shopping, such as supermarkets, telecommunication, petrol/heating, clothing, technology, shows, hotels, cinemas, etc.

Aiming at the more effective operation and promotion of the service, all modern digital tools and promotional and communication channels were utilised, such as newsletters, push notifications, social media campaigns, dedicated blog, etc. With these actions, yellowday, the innovative loyalty digital service of Piraeus Bank Group, completing the first year of its operation numbered 1.1 mn unique users (1.5 mn users) and 53,000 active users in December 2015. For 2016 the Customer Experience & Loyalty team is aiming at the design and implementation of personalised, innovative and relevant to the customer's way of life experiences (Great Customer experience), which will make his/her everyday life better.

This goal will be realised through the Reward Programme for the total banking relationship of the customer, the evolution of yellowday as the main digital 'purse' and the continuous investment in customer experience through the digital mediums of the Bank (site, tailor made social media campaigns, online promotion).



## DEPOSIT PRODUCTS

The design and offering of new products and services was not affected by the difficult economic environment of 2015, and was focused on the creation of the proper framework and infrastructure upon which the future growth of the Bank will be based, regarding the relevant activities. As a result, in 2015 there were several projects carried out and completed in the segments of deposit and investment products of the Bank, the most important of which are briefly mentioned:

- **Enrichment of the portfolio of deposit products by offering a new reward programme in the form of the 'Sta Metra Sou' Time Deposit.**
- **Improvement of the Mutual Funds distribution framework. These upgrades allowed the significant increase of balances in Mutual Funds Reserves Management, which will serve as a main source of retrieving deposits with the gradual restoration of trust.**
- **Creation and operation of the new Investment Hub Service, with the goal to provide upgraded service to customers who are active in the Stock Market and enhancement of the Bank's presence in this activity. The Service is provided in 6 regions around Greece by specialised executives, with infrastructures that ensure quality and safety of transactions.**
- **In the context of the Bank's effort to further strengthen the transactional relation with private customers, the 'exofLYSI' payment package, a competitive basic banking product was successfully introduced to the market giving to the private customer the ability to repay all his/her bills through winbank or the branches of the Bank, by prepaying a small consideration.**

During the last months of the year, and especially after the completion of its recapitalisation, the Bank prepared an analytical plan for the restoration of its deposit base focusing on the retrieval of the outflows. The plan includes offering competitive products with strong marketing support, detailed planning of targeted actions and methodologies of close monitoring of results. These preparations, in combination with the strong deposit culture of the executives of the Bank, create the prerequisites for the achievement of the goals that have been set for the following years regarding deposits' increase.

Despite the negative circumstances, the systematic effort for the reduction of the average cost of deposits continued throughout the year. Guided by the de-escalation of interest rates of time deposits and the constant effort to rationalise pricing of sight/savings deposits, the interest rate of the deposit base of the Bank was reduced in 2015 by approximately 70bps.

## MORTGAGE AND CONSUMER CREDIT

Focusing on the improvement of quality of services of mortgage and consumer loans customers, in 2015 a wide programme was prepared and implemented in order to optimise existing infrastructures and systems. Within this framework and with the assistance of internationally acknowledged consultancy firms, the credit policies and procedures were restructured. Special attention was given to the adoption of quantitative and qualitative rules, aiming at the improvement of customer experience, as well as at the reduction of operating expenses through the consolidation of procedures.

In 2015, a special operating unit for project development was established within the Consumer Credit Unit, through collaborating merchants. This way, activities relative to financing consumer factoring and car purchase were absorbed by the Bank, previously under the management of subsidiary companies. The main aim of this strategy is the vertical integration of similar activities, so that economies of scale are achieved –in combination with the creation of new and innovative applications– operational synergies, as well as a secure and integrated credit and business approach.

Aiming at improving customer service experience and achieving the best possible result, 2016 main goal is to create an integrated customer-centric analysis model. It will recognise and identify trends and customer behaviours, forecasting the needs and suggesting specific custom-made products through the Bank's services channels.

The consolidated figure of loans balance at year-end 2015 amounted at €16.2 bn for mort-

gages and €4.9 bn for consumer loans (excluding credit cards), while Piraeus Bank's market shares at the end of December 2015 stood at 24% and 22% respectively.

In 2015 once again, Consumer Credit received ISO 9001:2008 certification from TUV Hellas for the Consumer Credit Approval Services of the Consumer Credit Approval Centre. This continuous certification is proof of the Bank's commitment to provide quality and effective services, as well as to ensure unwavering customer satisfaction, focusing on modern and responsible handling of their needs in the framework of the broader economic environment. Moreover, this certification is related to the enhancement of the image of its management and business performance, to the creation of a competitive advantage. Additionally, it enhances effective management of business risk, reduction of its operating cost and resource-saving, as well as promotion of internal communication and increased employee satisfaction. It is noted, that the aim of Consumer Credit for 2016 is upgrading the Quality System in the Consumer Credit Approval Centre, through the transition to the new ISO 9001:2015 certification, which includes important changes in the way of the integrating the certification within the strategy and the daily operation of the Unit, as well as its expansion in all its operations.

Steady in its commitment, Piraeus Bank continued to support households by covering their needs in the best possible way, despite the difficulties resulting from the capital controls, and always in the context of responsible lending. This was achieved thanks to the flexible products it offers for the facilitation of the smooth repayment of existing liabilities, funding of the basic family needs and upgrade of the quality of family life through programmes for the purchase or construction of a residence, the purchase of transportation means and other constant consumer goods, the cover of health expenses, studies, etc. Despite the unfavourable economic climate, the volume of incoming applications for consumer credit in 2015 showed an increase of 7.2% compared to the previous year, while the decrease in the level of mortgages is solely due to the suspension of the programme 'Saving at Home'. It is noted that the Bank actively participated up until the completion of the programme 'Saving at Home', with 29% of the signed loan agreements, while more than 13,000 households have already completed the required interventions to improve their homes' energy-efficiency.

In 2015, emphasis was given to the development of new tools and assessment models for incoming applications, in alignment with credit policy rules. The target was twofold: on one hand the greatest possible automation of the production process with simultaneous restriction of operational risk and on the other hand the improvement of response time. In 2016, through targeted approach of key customers and through new collaborations, several actions are planned that will minimise the response time and improve risk management.

Finally, the new Credit Policy was completed and is already being applied, constituting a modern and easy-to-use assessment tool of incoming applications, based on the Bank's strategic guidelines and goals, and adapted to the needs and demands of the economic and social environment.

#### CARDS & ePAYMENTS

The imposition of capital controls in the middle of the year was defining for the behaviour of the customers towards the tools and activities of the Cards & e-Payments Unit of the Bank.

#### CARD ISSUING

2015 developments resulted in an impressive increase of credit cards issue and usage, leading to a more than three times increase in the number and volume of purchases during the second half of 2015 compared to 2014. Debit cards increased by 136% as per the number of purchase transactions and 149% as per the volume of purchase transactions, on an annual basis. Regarding credit cards, the percentages stood at 22% and 10% respectively, while for the prepaid cards the respective annual changes were negative as a result of the limitations in their use due to capital controls. During 2015, 1.5 mn new cards were issued, 1.4 mn of which were contactless. The debit cards were issued with the procedure of direct issuance and deliv-

ery at the Bank's branch network. More than 100 product promotion and operations development actions were completed, many of which in cooperation with strategic partners, as well as sports clubs, offering significant benefits for card holders, having a very positive impact on the relevant product portfolio. In addition, during 2015 two new co-branded credit card products were launched. In 2015, Piraeus Bank successfully completed the mobile payments pilot application 'Smartup' and is already planning the next steps, being the leader in the mobile payments sector in the Greek market. At the same time, the year passed was very important on an operational level as well, as the transition of more than 300,000 credit and prepaid cards from the merged banks was completed, in a single system, resulting in cost reduction and customer service improvement.

#### CARD ACQUIRING SERVICES

The imposition of capital controls during the second semester of 2015 led to a significant increase of card acceptance transactions that was unprecedented in the Greek market. The demand for POS terminals' installation rapidly increased, as many businesses rushed to acquire terminals due to the cash shortage in the market. Piraeus Bank, offering a complete range of solutions in the card acceptance sector, the solutions Paycenter POS, ePOS and mPOS, successfully covered every business need. As a result, regarding card present transactions there was a doubling of turnover and transactions for the year. The total portfolio of businesses collaborating with the Bank increased 126% and the installed POS terminal base of the Bank 117%, with the whole of new terminals supporting contactless transactions. The Bank managed to respond to the rather increased demand volume for new terminals installation, investing in the creation of a new system of demand management (workflow) for acquiring services, which allowed for the approval of demands in real time and the completion of a POS terminal installation within 3 days. Piraeus Bank successfully introduced, as a new service in the market in 2015, the solution mPOS (mobile POS), which in combination with a smartphone or a tablet, constitutes the most modern and complete solution for card acceptance for the 'travelling' professional, the doctor, the plumber, the electrician, the insurance agent, etc. Another service that works in combination with the card acceptance from the same POS terminal is the easypay POINT, which allows a small retail business (e.g. bookshop-stationery) offering its customers the ability to pay debts, bills, taxes, reinforcing both the traffic in the shop, as well as the revenue from added supplies. During the same period, the works for the transition of acquiring portfolios of merchants from the merged banks into Piraeus Bank's systems were completed, achieving significant economies of scale and allowing integrated management and operation without any interruption in the service of collaborating businesses.

In the field of eCommerce transactions, where Piraeus Bank holds the leading position in the Greek market, with the highest market share, the rising trend continued along with agreements for important new collaborations. TServices via ePOS platform increased by 28% in relation to the previous year, while turnover increased by 25%. Significant growth was noted in services like the multicurrency transaction support, which is offered for more than 50 currencies, and the 'One-Click-Pay' platform, which constitutes one of the more complete tokenization solutions in the European market, allowing businesses to utilize the capabilities offered now by mobile applications. These services can be combined with many others, such as the advanced antifraud systems and the capabilities to channel transactions to third party banks and thus making the Bank's offering in this specific field especially competitive and the most complete that is offered in the market today.

#### ePAYMENTS

Payments towards third parties from the Bank's payment channels continued to constitute in 2015 an extremely important transactional sector and a source of transaction commissions. Third parties' portfolio increased by 15%, new interbank collaborations for Dias Credit Trans-

fer increased by 53%, while for Dias Direct Debit 58%. Transactions' volume was increased by 38%, while their value by 18%. During the year significant actions took place for the adaptation of the Bank and of collaborating organisations in the field of payments, in line with the demands of the EU Regulation 260/2012 of the European Parliament and the European Council for the full transition to the Single Euro Payments Area.

Easypay POINT service achieved during the year significant growth in its customer base. The service offers the ability to collect bills and debts from third party points which collaborate with the Bank. In 2015 hundreds of small businesses were added to the easypay POINT network, mainly from the sector of small retail, which offered to their customers the easypay POINT bill payment services through the Bank, increasing the customer traffic in their shops and ensuring a significant additional income. In parallel, the Bank conducted cooperations with debt collection services companies and payment companies, offering the easypay POINT service in various collaboration business models (white label). In 2015 dozens of new organisations and businesses were included in the range of supported payments, like the Ministry of Finance payments, while the realisation of new innovative services began and they will be available through the easypay POINT channels soon.

#### SELF SERVICE BANKING

In 2015, Piraeus Bank Group's ATM network in Greece amounted to 1,817 machines, out of which 839 were installed within branches of the Bank and 978 in points outside the branch network, making it the largest ATM network in Greece, with a market share surpassing 32%. In 2015, the ATM network supported 83% of the Bank's cash withdrawals and 10% of the total deposit transactions. During the last four months of 2015, the 'Piraeus free wifi' service started to be offered and was warmly accepted by the public winning positive references in the press as well.

Easypay kiosks constitute a very important service channel of the Bank, maintaining a market share of 41%. There are 562 kiosks installed within the branch network and outside of it, with extended opening hours and access for the public. Transactions in the kiosks were increased by 6% compared to 2014; execution of 27% of deposits, 38% of credit card payments, 30% of loan payments and 40% of bankbook updates has been conducted in the kiosks, proving that they significantly contribute to the discharge of branch cashier desks, apart from providing speedier customer service.

#### FRAUD & RISK

The increase of electronic transactions in 2015, using cards as well as other electronic payment means in all electronic channels, brought an increase in the operations of the Fraud & Risk Unit. Aiming at restricting malicious transactions, guaranteeing the security of the Bank's customer transactions and reducing operating risk, the Unit managed to maintain the smooth transactional flow, operating on a 24-hour base, 365 days per year. In 2015, the Fraud & Risk Unit handled with exceptional results the quite increased transaction volume via cards and e-banking that arose as a result of the imposition of capital controls, contributing to the feeling of safety and trust for the Bank's customers.

#### PIRAEUS DIRECT SERVICES

Piraeus Direct Services (PDS) primary mission is to provide services to the Group's customers and associates through all available channels of communication. PDS's main target is to offer to the Bank quality and innovative services constituting a basic arm of communication with its customers, in order to help the Bank continuously expand and to facilitate its mission of being the leading bank in the Greek market.

In 2015 the company supported the various actions of the Bank. Indicatively:

- creation of a specialised team for Personal Banking customers,
- creation of a call support team regarding the Code of Conduct,
- operation of a special helpline for Private Banking customers,
- transition of the credit cards of merged banks,
- customer satisfaction surveys, and
- informational/promotional actions.

At the same time, and in order to respond to the rapid increase of incoming calls (+34% compared to 2014), it proceeded to the enhancement of answering and support teams, while it made special effort for the improvement of the service ratios and of customer satisfaction in all channels of communication.

For the above mentioned reasons, emphasis was given on the training and development of employees and the enhancement of the IT infrastructure of the company.

It is worth noting the response of PDS to the needs that appeared during the initial period of capital controls and of Legislative Acts, and brought significant changes to the service procedures and nature of the calls:

- average incoming calls<sup>2</sup> of the first semester compared to calls in July: 240,496 compared to 564,932 (135% increase),
- average incoming monthly e-mails of the first semester compared to July e-mails: 1,964 compared to 8,794 (348% increase),
- handling of 8,573 remittances and 382 salary payments; procedures which were allocated to PDS.

Many of the qualitative ratios resisted the pressure of the calls and remained at high levels, such as the percentage of credit card retention (71%) and customer satisfaction (89%).

PDS won the gold award in the BITE Awards 2015 competition in the category 'Center Technologies' for the Phonetic Recognition and Open Dialogue Service System (NLU Voice IVR).

## **BANCASSURANCE PRODUCTS AND INSURANCE BROKERAGE**

### **BANCASSURANCE**

Total Group under management portfolio amounted to €263 mn in 2015, with total profits stemming from insurance brokerage activities €45.5 mn, noting a 27% increase versus 2014. Piraeus Bank's Bancassurance Unit was established in 2008 with the aim of developing systematic sales in Greece and abroad, mainly through its branch network, but also through alternative channels of communication with customers (call centre, e-banking platform winbank). With its specialised know-how, the Bank aims to make use of strategic collaborations with the insurance companies NN and ERGO, thus maximising the value for the Bank and its customers. In collaboration with subsidiary Piraeus Insurance Agency and the other bank units, the Unit aims to create complete bancassurance products and mechanisms for automated customer management and service.

The basic axes of improvement and monitoring are:

- effective bancassurance product sales, combined with proper, quality and prompt servicing of customers through motivation and development of coaching,
- monitoring of sales quality procedures and sales systems,
- development of a business intelligence tool, aiming at qualitative analysis and portfolio description. Using this new platform, optimal utilisation of bancassurance portfolio will be achieved,
- enhancement of the Bancassurance sales development team with sales coaches working with branch network executives on a daily basis, supporting their effort, as well as enriching their knowledge and their sales skills.

All customers can now choose from modern insurance products and services to cover all their needs. At the same time, specialised executives from the Group's network are available at every

<sup>2</sup> Calls for branch network support are included.

Piraeus Bank branch to assist customers in selecting the programmes that suit them.

Piraeus Bank's great expansion and its strategic target to promote insurance products, resulted in Piraeus Bank's Bancassurance maintaining its first position in market share, close to 34%, in Greece in 2015, as well as raising its sense of responsibility at creating new products in the traditional sectors of General Insurance, as well as in the sectors of Health and Life insurance in general.

Aiming to further enhance sales and in response to customers' developing needs for innovative and flexible bancassurance products, although 2015 was an exceptional year, 6 new products were designed in collaboration with leading insurance companies in the sectors of Life, Health, Civil Responsibility and Car Insurance.

#### PIRAEUS INSURANCE AGENCY SA

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

#### PIRAEUS INSURANCE AND REINSURANCE BROKERAGE SA

Piraeus Insurance and Reinsurance Brokerage SA, a 100% subsidiary of Piraeus Group, was established in 2006. It offers a complete range of insurance products and services for businesses, fully covering insurance risk needs.

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

### **BUSINESS BANKING**

In Greece, Piraeus Bank Group historically holds a strong position in the sector of financial services to businesses which are active in all fields of economy. It offers a wide range of deposit and funding products to businesses including consultancy services for financial and investment issues, for loans provision (be it in Euro or other currency), foreign currency services, insurance products, custody services and import/export services.

Primary concern of the Bank is the choice of high quality clients and their systematic monitoring based on the most advanced risk management tools. In parallel, special care is given to: exposure to the healthiest sectors of activity, the securing of credit with strong collateral and guarantees, the pricing in accordance with assumed risk and the constant effort to increase cross-selling.

In this direction, the Senior Credit Department, has an important role and participates actively and systematically, through specialised executives in the effort to rightly manage the credit risk stemming from the business credit portfolio of the Group, with the implementation of a unified, single credit policy and practice, as well as through the strict adherence of procedures of approval, renewal and close monitoring of credit limits.

In the context of activities to fortify the balance sheet of the Group, for yet another year in 2015, strict evaluation criteria were applied for the credit portfolio of large and medium businesses, while the efforts for restructuring, guarantee strengthening and pricing adaptation according to assumed risk were intensified.



### LARGE AND MEDIUM BUSINESS CREDIT

The experienced and specialised teams of Credit Officers, through their participation in the approval procedure, focused on the financial support of sustainable Greek businesses and the rational selection of credit regulation measures regarding credit borrowers with financial difficulties.

In addition, they participated actively and systematically in the constant effort for proper management of credit risk, monitoring of business portfolio quality and right application of credit policy. Finally, in 2015, in cooperation with external consultants, the projects aiming to improve credit procedures were completed.

### SMALL BUSINESS CREDIT

The Small Business Credit invested in further automation of evaluation procedures of the borrowers of its jurisdiction, with the goal of accelerating their service while simultaneously securing the interests of the Bank. The Unit has an internal department structure that allows for the extensive knowledge of various parts of the clientele it manages (small businesses, self-employed, farmers), ensuring the immediate service of a very important sector of the Greek economy that has been particularly affected by the current economic circumstances.

Special emphasis was given to debt settlements, contributing to the remediation of the portfolio with the goal of the reclassification of sustainable clients to the healthy portfolio. In addition, the Merchant Business Department, responding to the increased demand for POS installation, especially after the imposition of capital controls, adapted the evaluation procedures aiming to minimise the possibility of future breach by the merchant, which would have had an immediate negative effect on the goodwill of the Bank.

During 2015 the specialised Credit Policy & Portfolio Analysis team was further strengthened, completing important projects that regard the improvement of the loan portfolio quality and the optimal management of NPLs. The Credit Policy of the Bank is constantly adapted in order to timely respond to the increased demands and changing conditions that prevail today. The goal is to secure the balance between the risk assumed by the Bank through credit and the important support it offers to Greek businesses and households.

### BUSINESS DEPOSITS

The domestic developments during the previous year affected business deposits with the result of them showing variance.

It is noted that Piraeus Bank high volatility, despite the adverse circumstances, continues to utilise its expertise in co-operations with legal bodies of the wider public sector. In 2015 it participated in invitations for interest expression regarding wide collaborations with Municipalities, Municipal Companies, Prefectures, Hospitals, Higher and Tertiary Educational Institutions, Social Security Funds, public and private sector legal entities, which resulted in the initiation of a satisfactory number of new co-operations and deposit attracting, in reinforcing its customer base and creating the conditions for the development of cross-selling.

The Public Sector unit of Retail Banking, Branch Network & Deposits continued during 2015 offering comprehensive and technologically innovative solutions to the institutions of the closer or wider Public Sector and Not-for-Profit legal entities, covering the whole spectrum of their financial activities (cash management, asset management, personnel payroll, automated collection and payment systems, electronic banking services, etc.).

More specifically, the Bank participated during 2015 in more than 700 interest expression invitations for wide co-operation with Legal Entities, resulting in the securing of an array of new collaborations as well as in the attraction of a satisfactory level of deposits. Indicatively mentioned: the strategic collaboration with the Ministry of National Defence (with the object of preferential banking products provision to the military and civilian personnel of the Armed

Forces and their families as well as to the veterans and retiree civilians of the Armed Forces), the renewal of the co-operation with the Attikon University Hospital, the Heraklion University Hospital of Crete, the Region of East Macedonia, the Democritus University, etc.

The contribution of the Public Sector unit has also been crucial in the effort of the Bank to attract and manage new payrolls of the public and private sector, as well as in the adaptation of the existing clientele to the demands of the new framework that governs the said transactions and is dictated by the EU Payment Services Directive No 260.

In total, in the field of payrolls, the Bank services more than 1 million employees of the private and public sector.

#### BUSINESS LOANS

The Group maintains important presence in business lending in the domestic market, with a diversification in all sectors of the economy and with emphasis on the provision of services towards medium and small sized businesses. The sum of loans to businesses in Greece on the 31.12.2015 amounted to €41 bn.

The provision of commercial loans is done primarily in the form of credit lines with variable interest rate. In addition the Group provides letters of credit and guarantees for its customers. It has granted loans to all business sectors, with special emphasis on trade, industry, crafts, construction, energy, infrastructure, tourism, shipping and agricultural production.

#### CORPORATE BANKING

The field of the unit's activities includes banking services provision, loans for complex transactions, project financing, real estate investment financing, as well as the provision of consultancy services in relation to debt restructuring and large construction projects (infrastructure consultancy).

##### **Group's Structured Financing**

The Structured Finance division is active in the provision of specialised banking works, the organising and participation in complex financing transactions (Structured Finance) in the fields of Transportation, Infrastructure, Real Estate, Energy, Telecoms as well as in the provision of consultant services to large infrastructure projects, public-private partnerships and development programmes co-financed by European funds.

Basic parameter of shaping the strategy of the division is the creation of added value for the customers and the Bank through the effective management and further development of the portfolio on the basis of an adapted approach for each transaction. In parallel the utilisation of synergies and attraction of projects are pursued with other divisions of the Bank in the context of a holistic handling of customer needs.

The business strategy of Structured Finance for 2015 was harmonised with the conditions of the market and moved along the following axes:

- **Dynamic monitoring of the existing portfolio of structured finance in conjunction with evaluation and promotion of restructuring plans.**
- **Utilisation of alternative co-financing tools in the context of the European mechanisms and programmes.**
- **Further expansion of the portfolio into financing green entrepreneurship investments, taking into consideration the optimistic prospects of the sector and the multiple economic and social benefits, in the context of promoting a growth model for the country adapted to modern international trends and demands.**
- **Search for active participation in financing large infrastructure works and privatisations.**
- **Utilisation of the leading role of the Bank for the attraction of additional business in all financed projects.**
- **Support of the financed projects and of the business portfolio with all necessary actions and advice in order to minimise the effect of the imposition of restrictions on the movement of capital in the country.**



Based on the above Structured Finance, for 2015 managed to preserve the high quality of the loan portfolio and the significant deposit balances of customers, achieving also, to maintain the revenue from interest and commissions from guarantees. At the same time, in a period characterised by a change in the sentiment for the whole economy, Piraeus Bank:

- In the context of the JESSICA initiative and in co-operation with the European Investment Bank, completed the financing of three (3) projects for the construction and operation of biogas units which are the first to be completed within the programme, constituting at the same time some of the first biogas investments of a similar size in Greece. In parallel, through Piraeus Bank and the programme, five (5) more projects are being financed and realised in Central Macedonia and Thessaly, contributing significantly in the utilisation of community funds and the support of sustainable investments, reinforcing Greek economy and entrepreneurship at a local-periphery level.
- Faithful to its commitment for the support of green energy investments in renewable sources, mainly Aeolian and hydroelectric parks, Piraeus Bank signed agreements for financing projects of 60MW total capacity. There were projects in Aeolian parks completed in the year with a total capacity of 20MW while the assessment of applications continues for financing a project portfolio of a more than 100MW total capacity.
- In the context of the utilisation of funding tools and the improvement of liquidity in the economy, Structured Finance completed the procedure of conventional disbursement of €24 mn, financing through the Greek Institution for Growth (ifG) projects in the fields of tourism, renewable energy sources and agrifood.
- In the context of the efforts to relaunch the Greek economy and to implement an infrastructure development programme, Piraeus Bank supported investment groups that participated in denationalisation or public-private partnership tenders, on one hand providing consultancy services to candidate consortiums (e.g. DIADYMA) and on the other hand submitting initial intentions to cover significant parts of the financing needs of said investments (Periphery Airports).
- Continuing the talks for the restructuring of the motorway project MOREAS SA (Korinthos-Tripoli-Kalamata and branch Leyktro-Sparta), Piraeus Bank, as the largest private lender of the project, supported the company in its effort to restore the balance in the project and to restart construction work.
- It supported all financed projects utilising its know-how and its leading role in infrastructure projects and proceeded to all necessary actions for the avoidance of problems in time schedule keeping and of consequences from payment delays to suppliers and foreign lenders as a result of the restrictions on the movement of capital that are in place since June 2015.

### Shipping Banking

Piraeus Bank holds an important presence in shipping financing, which constitutes one of the most dynamic and extrovert sectors of the Greek economy.

2015 has been a year of contradictions for the shipping market which was influenced in various ways by important macroeconomic developments at a global level, such as the unexpected drop of the price of oil and of tradable goods as well as the deceleration of international trade growth rate.

The dry bulk freight market showed intense fluctuations but with strong downward tendencies. A slight improvement followed an underperforming first quarter but it was brief, with the dry bulk index marking successive historic lows at the end of 2015 that continued during the first months of 2016. The oversupply of ships combined with a slowdown of growth in China and the developing countries led the freight fares and the ship values into a freefall.

The course of the revenues of container ships was similar. However, the tankers' sector benefited from the continuing drop of oil prices, which caused an increased demand for ships with main goal the storage of cargo.

In the midst of mentioned developments, the Bank continues to follow a conservative approach focusing on covering the needs of its clientele with selective new financing, emphasis on the development of lateral works and promotion of the entirety of the Bank's products. The strategy remains to be the concentration of the portfolio into selected and prestigious clients, who prove actively their continued support to the ship owning companies through all the phases of the economic cycle of the shipping market.

The services offered from Shipping Banking regard mainly the financing of ship purchases and the covering of specialised shipping companies' needs (issue of credit letters, cash

management, web banking, currency conversion). Lending focuses mainly on the two basic categories of dry bulk freight ships and tankers.

In the context of the holistic approach of the customer, Shipping Banking provides through the specialised Wholesale Financial Solutions unit, comprehensive solutions to groups the activities of which extend beyond shipping and into other sectors such as business activities, real estate investments and financial investments. In addition, the same unit covers the needs of companies that are active in sectors that support shipping, such as bunkering and port management, etc.

#### MEDIUM AND SMALL BUSINESS BANKING

The provision of banking products and services to medium and small businesses is an eminent business field of Piraeus Bank and one it has been serving with diligence for almost two decades in Greece. The Bank offers services in both fields of Medium and Small Businesses (SMEs). Through the special responsibility sector of Small Businesses and professionals Banking it covers customers who have an annual turnover of up to €2.5 mn, while the specialised Business Centres of the Bank cover SMEs with an annual turnover from €2.5 mn to €70 mn.

The prolonged recession in Greece has significantly affected the growth of medium and small enterprises. The slump of demand affected negatively the turnover of the companies, which in conjunction with the limited liquidity and the uncertainty for the economic developments, render the environment unfavourable for business activity. However the approach of the particular sector of the market offers great opportunities for the promotion of new product and services.

The high quality service provided has as a result the harmonisation with the credit approval criteria and the better control of the loans' quality. In this context, the policy followed by Piraeus Bank for a series of years in business banking, regarded the receipt of a considerable degree of guarantees in this loan sector. It is noted that the Business Centres of the Bank undertake additionally the evaluation of businesses' applications with a special or complex character (with Public Sector guarantees or with Common Ministerial Decisions).

In 2015 the new model of Small Businesses and Professionals Banking was developed and adopted, with the creation of a specialised unit, the basic tasks of which have to do with:

**Small Businesses and Professionals Products:** with the goal of developing innovative products and versatile procedures, that aim to cover needs of specific businesses, according to their individual characteristics. During 2015, emphasis was placed on the qualitative enlargement of the portfolio, with a focus on financing healthy businesses and professionals through 'Piraeus Working Capital', as well as through specialised co-funded programmes via ETEAN (Hellenic Fund for Entrepreneurship and Development). In addition, the 'Piraeus Green Business' product series was developed for the energy saving upgrades of businesses, supporting actively the green character of the Bank, while the transition of Panellinia Bank's portfolio was completed with success.

Towards the direction of a holistic approach of businesses, the Bank introduced product packages, which are directed at sectors of economy with common characteristics and needs. The first pilot application began with the sector of Tourism with 'Piraeus Tourism 360°', which includes products and services that cover the whole spectrum of business needs, such as deposits, capital transfers, lending, consultancy services and insurance products.

Finally, the specialised product unit has an active involvement in projects related to upgrading provided services further, through acquiring and the development of a new innovative platform of application submission for card acceptance terminals.

**Business planning/project development:** the strategic segmentation of the customer base was continued and completed and new customers were listed in the SBB Segment of Small Businesses and Professionals, with a significant size of deposits and an even more important loan portfolio. In addition, a new business model was applied and it includes sub-segmentation of customers and customer service. The main characteristics of the business model are:

- **Total Banking; holistic banking that marks the managing of customer relations based on the special needs of the enterprise/professional (loans, deposits, services, parallel activities).**

- The definition of Priority Client; that is businesses with important growth and profitability prospects as well as with a wide range and complexity of needs. Priority Clients will enjoy personalised services from specialised Small Business Banking Associates as well as specialised product and services packages.
- Emphasis on electronic banking (web, mobile) through the provision of comprehensive solutions for the accommodation of everyday needs of businesses and professionals.

**SBB Sales Management & Business Development:** there were criteria defined for the existence of the role of Small Businesses Banking Associate (SBBA) in the branches of the Network. In that way there was a revision of the previous structure and there were SBBAs allocated in selected branches which either already have a significant number of customers that can add value or are active in locations with intense growth interest.

The SBB Sales Managers team was staffed with executives who have years of experience in the Network and Retail Banking and it will have as its responsibility the realisation of the action plan in specific branches and the safeguarding of the realisation of the action plan and its effectiveness, through close co-operation with SBBAs and the Branch Managers.

A Business Development team was also created, again with experienced executives, and it will be responsible for the support of SBB Sales Managers and branches; both of those that have SBBAs and of those that don't. In addition it has the responsibility for action planning, result monitoring, collaboration with other Units of the Bank and of course for training and staffing. The School of Small Business Banking Associates was established with the aim to achieve uniformity at the level of knowledge and abilities, and the cultivation of a single culture.

The mechanisms of managerial information were further strengthened and the infrastructure and available tools were improved.

## DEVELOPMENT PROGRAMMES

Piraeus Bank acknowledging the financing needs of small and medium businesses and given the difficulties that prevail in the market, proceeded to a series of strategic partnerships, in order to secure the smooth and undivided provision of liquidity towards them. The forms of the financing tools utilised by Piraeus Bank were mainly co-funding and risk spreading tools as well as funding lines in the form of Global Loans. In the context of these partnerships, it secured financing products in co-operation with ETEAN S.A., the European Investment Bank, the European Investment Fund (EIF), and the Greek Investment Fund (ifG). The Development Programme Unit is responsible for the creation and management of financing products in co-operation with the above institutions.

The financing products provided by Piraeus Bank, utilising national and international collaborations, are briefly the following:

### **Business Restart Action – ETEAN SA**

Co-funded loans are offered to small-medium sized businesses of all sectors with particularly favourable terms regarding the interest rate and with a duration relevant to the aim of the financing. In every loan Piraeus Bank and ETEAN participate with equal amounts. The loans can be provided either with the form of working capital or for the covering of investment needs of businesses. The width of financing ranges between €10,000 and €300,000 for working capital and reaches €800,000 for investment purpose loans.

### **Island Entrepreneurship Action – ETEAN SA**

This action concerns the provision of low or zero interest rate loans (for islands with a population of less than 3,100 inhabitants) to businesses that are based on the islands and are active in the field of tourism or in supporting to tourism activities. These loans cover any part of the capital that is needed for the realisation of business plans and the financing for amounts from €10,000 to €30,000. The funds come solely from ETEAN and the Bank is involved during the evaluation of selection criteria and during the management of the financing.

### Rural Entrepreneurship Fund – ETEAN SA

The action of the Rural Entrepreneurship Fund was completed on the 31st December 2015. Through this action all farmers and businesses that are active in the processing of agricultural produce were able to receive long term financing, along with other investors who are active in the agricultural sector, for the implementation of investments that are integrated in one of the measures of the Rural Development Programme listed here: 121, 123A, 311, 313B. The height of the loan reached up to the amount provisioned in the approval of each investment plan. In this programme, Piraeus Bank participated exclusively, in co-operation with ETEAN in a co-funding ratio of 1.2:1.

Within 2015, Piraeus Bank granted loans of more than €50 mn for the actions realised in co-operation with ETEAN SA

Funding tool	Banking product	Economic sectors	Funding range	Loans from Piraeus Bank in 2015
Business Restart	Working capital	Processing-Tourism-Trade-Services	€10,000-300,000	€40 mn
	Investment purpose loan	Processing – Tourism – Trade – Services	€10,000-800,000	
Island entrepreneurship	Working capital – investment purpose	Tourism sector	€10,000-30,000	€4 mn
Rural Development Fund	Long term funding – investment purpose	Agricultural sector	Up to the amount provisioned in the approval of the investment plan	€6 mn
Loans from Piraeus Bank (2015)				>€50 mn

### GUARANTEE FUND – EUROPEAN INVESTMENT BANK (EIB)

It regards funds to small and medium businesses that are active in the fields of processing, trade and services, with liquidity provided by the EIB. These funds can be working capital or investment loans with especially favourable interest rates. The total balance of the action amounts to €50 mn, of which €42.5 mn were disbursed to businesses until the end of the year.

### TRADE FINANCE FACILITY PROGRAMME – EUROPEAN INVESTMENT BANK (EIB)

This programme is materialised in co-operation with the European Investment Bank. EIB provides guarantees for selected Correspondent Banks abroad so that they can add their approval to letters of credit of a 36-month duration, which are issued by Piraeus Bank. This programme reinforces significantly the business activity of companies that trade with markets abroad. For 2015 letters of credit provided reached a total amount of €9.7 mn.

### JEREMIE ACTION – EUROPEAN INVESTMENT FUND (EIF)

This action concerns the provision of co-funded loans to small businesses of all sectors with especially favourable interest rates. The loans can be given either in the form of working capital or for catering the investment needs of companies. The size of the funding ranges from €10,000 to

€2,000,000 per enterprise. In every financing action Piraeus Bank and EIF participate with equal amounts. During the last quarter of 2015 €27.4 mn were disbursed out of the €50 mn total of the action's budget, while the remaining amount will be provided within 2016.

#### GREEK INVESTMENT FUND (INSTITUTE FOR GROWTH - ifG)

The creation of the Greek Investment Fund constitutes one of the top initiatives for the strengthening of liquidity of Greek small and medium businesses, with the aim to boost growth, promote innovation and increase employment. The funds provided with the co-operation of Piraeus Bank regard businesses that are active in the fields of processing, trade and services, with liquidity that is provided by the Greek State and the German KfW Development Bank. The budget of the action for Piraeus amounted to €99.3 mn, which were fully absorbed within the year. These loans regard both working capital and investment loans with exceptionally favourable terms.

Funding tool	Banking product	Economic sectors	Loans from Piraeus Bank in 2015
Grouped Loans (EIB)	Working capital & investment loans	Processing – Tourism – Trade – Services	€43 mn
Trade Finance Facility Programme (EIB)	Letters of credit & Letters of Guarantee	All sectors	€10 mn
JEREMIE Action (EIF)	Working capital & investment loans	Processing – Tourism – Trade – Services	€27 mn
Greek Investment Fund (ifG)	Working capital & investment loans	Processing – Tourism – Trade – Services	€99 mn
Loans from Piraeus Bank (2015)			>€170 mn

#### INTEGRATED SUPPORT FRAMEWORK

It is an innovative product of the Bank, which concerns customers who have been selected in subsidized programmes. The goal is to provide liquidity with favourable terms, so that the business completes with success its investment plan. The Bank, in addition, monitors the compatibility and relation of expenditures with the technical parts of the investment plans and intermediates in the proper payment of invoices. The Integrated Support Framework includes the issue of letters of credit for the receipt of the advance payment of the grant and the provision of investment loan with favourable guarantees. During 2015, this service supported in a pilot scheme more than 350 businesses that were selected in subsidized programmes of a total investment budget of approximately €62 mn.

In addition, Piraeus Bank, as an Intermediary Administration Entity for NSRF 2007-2014 programmes, has undertaken the monitoring of the fulfilment of the long term obligations assumed by businesses that were supported in the context of the First Action NSRF and the programme for the Self-Employed. Specifically, there were 2,210 control reports of two year Long Term Obligations of the Self Employed and Scientists Programme, listed in the Central Information System of State Aid (CISSA) of the Ministry of Economy, Development and Tourism, that concerned the sum of proposals that were funded from all banks acquired by Piraeus Bank. In addition the required two year documents were asked from 350 businesses that were selected in the First Action NSRF and had received the subsidy in the period between November 2012 and October 2013, while from the 900 businesses that completed their investment during 2011, the documents for the three year control were asked. Finally, 1,938 control reports of Long Term Obligation were completed and listed in the CISSA.

### RESTRUCTURING AND MANAGEMENT OF PROBLEM PORTFOLIO & TASK FORCE UNIT/MERCHANT BANKING

2015 was for the Non Core Business & Restructuring Portfolio sector, a year of the implementation of a new strategy for the management of the problem portfolio of the Bank, based on a high standards operational model. At the same time, it was a year that saw the creation of infrastructure and investments in specialised human resources.

With a governing structure that ensures the necessary autonomy but at the same time the synergies with supporting Units of strategic importance of the Bank, such as the Task Force and the Branch Network, the Sector managed almost the sum of the problem portfolio with the goal of value creation through the development of sustainable and personalised solutions. To that end, important projects were completed along four axes: a) the analysis and mapping of the sum of the portfolio was completed and 40 new restructuring programmes were created for the portfolio of individuals and small businesses, b) a series of sectoral studies were conducted and high importance sectors for the Bank were analysed extensively, c) the necessary infrastructure was developed in systems, tools and procedures, and d) experienced and highly qualified executives were placed both in central positions and de-centrally, covering geographically the whole of Greece. In addition, in the context of Corporate Social Responsibility, Piraeus Bank was the only bank that designed and offered a special debt settlement programme for individual borrowers under the protection of Law 4320/2015 for the Humanitarian Crisis.

The employees of the Sector at the end of 2015, numbered 1,400 reaching, along with the executives of the network and the external associates, 2,000 employees.

The implementation of the operating model started from the beginning of 2015, achieving significant results for the Bank, despite the unfavourable economic and political environment. It also provided the prospect for further improvement of 2016 results, through the utilisation of the know-how, the changes in the institutional and regulatory framework and the gradual recovery of the Greek economy.

Piraeus Bank, already since the beginning of 2014, enacted, in co-operation with a specialised international consultancy firm, a complete and autonomous management structure of two business sectors, i.e. the Recovery Banking Unit (RBU) and the Task Force Unit/Merchant Bank.

Specifically, the RBU mission is the determination of sustainable businesses, households and economy sectors, as well as their financial support through finding suitable and personalised solutions. In this way a dual goal is achieved: the restructuring of loans of cooperative borrowers who are facing financial difficulties and subsequently, the saving of considerable funds of the Bank, which can be channelled anew into the economy for the support of healthy entrepreneurship.

The Task Force Unit is responsible for the management of the Group's exposure to certain sectors of the Greek economy, through the implementation of restructuring choices, as well as for the participation in businesses that have been characterised as non-core assets of the Group.

To achieve these goals, the RBU has invested significantly in the development of a new operating model, based on four axes: a) meticulous analysis of the clientele, b) creation of long term solutions per portfolio category and design of personalised solutions in the case of large loans, c) development of specialised management channels, and d) introduction of special procedures and targeted policies and tools/products.

It is very important that the RBU is staffed with exceptionally qualified and experienced executives, under the leadership of a specialised executive team with long experience both in lending and in the area of restructuring businesses/sectors. Moreover, in collaboration with the Human Resources sector of the Group and the consultancy firm which was assigned to design the basic framework of the new Unit's operation, a series of training seminars was designed, further reinforcing the knowledge of executives regarding the new operational context and the new principles of the legal and supervisory framework.

The Bank expects that these actions will contribute to the effort for maximisation of the value that can be extracted from the problem portfolio, taking advantage of the know-how of its executives and the gradual recovery of the Greek economy.



## **FINANCIAL AND OPERATING LEASING**

### **FINANCIAL LEASING – PIRAEUS LEASING SA**

Piraeus Leasing SA is managing the leasing activities of Piraeus Bank in Greece. The size of the portfolio under management, including the operations of Cyprus Leasing SA and CPB Leasing SA, approaches €3 bn and corresponds to a 40% market share.

The Greek leasing market suffered significant recession from 2009 onward, but it shows signs of slight recovery. The sectors that present the greater prospects are those of professional vehicles for people and merchandise transportation, manufacturing equipment, medical technology and real estate commercial leasing.

New production for 2015 amounted to €50 mn, while the leased assets of financial and commercial leasing for Piraeus alone amounted to €1 bn, while for the sum of the managed portfolios (Piraeus, Cyprus, CPB) it amounted to €2.4 bn.

Net Interest Income of Piraeus Leasing increased for 2015 to €9.2 mn from €8.2 mn the previous year (+13%), net revenues was increased to €14.2 mn from €10.1 mn (+40) and profits before tax and provisions amounted to €6.8 mn from €2.5 mn (+273%).

An increase of new production is budgeted for 2016 and a corresponding improvement of results, while the intensive and effective management of the NPL and retrieved assets portfolios will be continued.

### **OPERATING LEASES – OLYMPIC COMMERCIAL AND TOURIST ENTERPRISES SA (AVIS)**

Olympic Commercial and Tourist Enterprises SA operates under the AVIS – Piraeus Best Leasing trademark and is active in short and long term vehicle leasing. Specifically, in the area of long term leasing, which makes up for 75% of the company's leasing activity, there was a significant effort to maintain both the market share and the leases despite the great crisis the automobile sector faced in Greece from higher taxation and the negative economic circumstances.

### **BUSINESS FACTORING**

Piraeus Factoring SA, wholly owned subsidiary of Piraeus Bank, was founded in 1998 and is a member of Factors Chain International (FCI) and a member of the Hellenic Factors Association, with representation both in its Board of Directors and its individual Committees.

Piraeus Factoring provides the whole services spectrum of the domestic and export factoring to businesses, financing their receivables and securing effective management and constant evaluation of the solvency of existing or new collaborations, in addition to the insurance coverage of credit risk.

The main goal of the company for 2016 is to support the healthy and promising businesses, which in conjunction with extroversion will contribute to the growth of the Greek economy and to the creation of new jobs.

### **DIGITAL ENTREPRENEURSHIP**

During 2015, the winbank electronic services and mobile Apps received significant distinctions and awards from institutions both in Greece and abroad, and were certified according to ISO 9001:2008 from TUV Hellas for the 12th consecutive year.

<b>Distinctions of Winbank</b>	
<b>2015</b>	
Global Finance	<ul style="list-style-type: none"> <li>- “Best Consumer Digital Bank in Western Europe”, at country level</li> <li>- “Best SMS/Text Banking” at West-European level</li> </ul>
Business IT Excellence (BITE) Awards 2015	<ul style="list-style-type: none"> <li>- “winbank mobile banking App”, GOLD award in the Mobility &amp; Mobile Applications category</li> <li>- “winbank mycard App”, GOLD award in the Internet of Things &amp; m2m Applications category</li> </ul>
CYTA Mobile Excellence Awards 2015	<ul style="list-style-type: none"> <li>- “winbank mobile banking App”, GOLD award in the Mobile Banking category Services</li> <li>- “winbank instant cash App”, GOLD award in the Use of Mobile for P2P Payment category</li> <li>- “winbank mycard App”, SILVER award in the GPS – Enabled (Location-based) Applications</li> <li>- “easypay App”, SILVER award in the Mobile B2C Payment category</li> <li>- “e-revenue stamp/winbank mobile banking”, SILVER award in the Mobile Electronic Government category</li> </ul>
Apps Awards 2015	<ul style="list-style-type: none"> <li>- “winbank mobile banking App”, GOLD award in the “Best e-Banking App” category</li> <li>- “winbank instant cash App”, BRONZE award in the Best Financial Services App category</li> </ul>
Lighthouse e-volution Awards 2015	<ul style="list-style-type: none"> <li>- “quick login for winbank mobile banking App”, GOLD award in the Usability category</li> <li>- “winbank mycard App”, SILVER award in the Innovative Applications for Consumers category</li> <li>- “winbank mobile banking App”, SILVER award in the Mobile Banking category</li> <li>- “winbank instant cash App”, BRONZE award in the Innovative Services category</li> </ul>

In the context of innovative services offer, with the goal to facilitate customers in their transactions, winbank mycard application became available for mobiles and smartwatches.

Through the winbank mycard application (the first banking application in Greece and one of few worldwide), users are informed in real time on the smartwatch about all card offers of Piraeus Bank and track the nearest card offer hotspots (geofencing) so that they can immediately benefit. In addition winbank enriched the winbank mobile banking application with the new quick login capability. It is a four digit code (PIN) that allows for the quick and equally secure access to mobile banking. Its activation is done directly through the winbank mobile banking App, in which the user can enter a four digit code of his choice.

During 2015, winbank, faithful to its commitment for a comprehensive coverage of the transaction needs of its users, developed 116 new payments and transactions, as well as a very long line of improvements at the levels of product information, functionality, service and security.

The service ‘winbank alerts’ was redesigned fully and was enriched with new characteristics, with the goal to provide to users immediate information for their banking transactions, through SMS notifications and e-mail messages. The notification categories that are supported include account transactions, card transactions, payment and stock-market orders, with important new capabilities. More specifically, the customers of the new service can now obtain a subscription package out of the available range of monthly and annual issues, with customisation ability for hours and transactions limits for which they wish to be informed, as well as of their sending data. At the same time, new functionalities were added to the service, such as notifications about pre-paid card transactions, fixed and future payment orders to organisations (public utilities, government, telephone, etc.) as well as notifications for periodic transfers.

In addition, through winbank web banking the new product ‘Payment Packages’ was offered, through which the customers of the Bank have the ability to settle a wide range of frequent liabilities (public utilities, government, energy, insurance, etc.) with a lower cost and greater ease and control.



An important addition to the 'service bouquet' has been the availability of 'OnLine Remittance' service, which offers the ability to send money to other Greek banks in real time.

The platform offered to customers of Private Banking through winbank web banking was upgraded operationally and aesthetically.

The complete procedure of the service quality measurement 'Voice of Customer' was integrated with great success. VoC concerns a multilayered sequence of actions, online recording of evaluation and suggestions of users, study, extraction of conclusions based on arithmetic and quality measures and introduction of new functionalities or improvement of existing ones.

Finally, emphasis was given to satisfying the particular needs of businesses. The specialised service of managing business customers of winbank was strengthened at the levels of human resources, data processing, procedures and capabilities of support and co-operation with other Units and the Network of the Bank. As a result, winbank Business service was presented to a very large number of businesses of all sizes and sectors, giving them the opportunity, to save significantly in time, the cost of supplies and also achieve simplification of procedures of transaction processing, payments and payrolls.

#### WINBANK WEB BANKING

The average monthly number of new registered users of web banking increased in 2015 by 57% in relation to the previous year. Respectively, the average monthly number of active users increased by 47%, and the average monthly volume of money transactions by 99%.

#### WINBANK PHONE BANKING

The average number of new registered users of phone banking increased by 46%, while the active users increased by 72% and money transactions by 115%.

#### PAYMENTS THROUGH WINBANK WEB BANKING & WWW.EASYPAY.GR

In 2015, the payments of public utilities and debts through winbank and easypay increased by 83% compared to 2014, while the penetration of e-payments in the Bank reached 38%, presenting a 36% increase compared to 2014. It is worth mentioning that more than 860 payments are available through winbank web banking and *www.easypy.gr*.

#### WINBANK MOBILE BANKING SERVICE

Active users of mobile banking increased significantly by 73%, with a 141% increase in the volume of money transactions. In addition, approximately 50,000 users activated the new functionality 'quick login' which resulted in an increase in the use of mobile banking by 45%, since it is estimated that the new functionality helped the increase of their average logins from 9 to 13 per month.

#### 'INSTANT CASH' WINBANK SERVICE

The innovative 'Instant Cash' service (cash transfer from web/phone/mobile/ATM and their receipt without a card, from an ATM) continued its upward course, despite the interruption of the service provision during the months of July and August, due to the imposition of capital controls. So, an increase of 16% to the volume of transactions was observed with a corresponding value that exceeded €35 mn. The biggest increase of 35% was observed in the use of 'Instant Cash' app for mobiles.

## WINBANK MYCARD APPLICATION

In 2015 there were 27,000 downloads of ‘winbank mycard’ app, while its active users per month reached an average of 6,500.

Special mention should be made to the high levels of response exhibited under the conditions of the initial implementation period of the capital controls and thereafter. Winbank was called upon to cover increased demands of service of new and existing private and business users, and this duty towards its customers was performed excellently from all the Units that support its operation.

Right after the imposition of capital controls a procedure was created to handle demands of the Bank’s business customers for the facilitation of their access to winbank. During the period 30/6/2015 – 10/7/2015, 570 registrations were completed; of New Appointed Representatives of Legal Entities & Widening of Rights of Existing Appointed Representatives of Legal Entities & Password Reissuance of Existing Appointed Representatives of Legal Entities & Listings/ Changes of mobile phone numbers for SMS reception and extra Pin.

In addition, since 2/7/2015, when the gradual re-opening of selected branches and ‘Special Transactions Centres’ took place, winbank serviced:

- 548 branch requests for Legal Entities Registrations with Limited Rights & changes of Rights.
- 178 requests for system appointed Pin Mailers (transfers from closed to open branches).
- 710 branch requests for Pin Mailers supply.

Selected winbank KPIs	
	2015
Winbank Web Banking	57% increase of registered users 47% increase of average monthly number of active users 99% increase of average monthly number of money transactions
Winbank Phone Banking	46% increase of registered users 72% increase of active users 115% increase of money transactions
Winbank Mobile Banking	73% increase of active users 141% increase of money transactions
Winbank Web Banking	82% of remittances out of the total transactions of Piraeus Bank,
Winbank Phone Banking	76% of money transfers within Piraeus Bank and 83% of stock market transactions
Winbank Mobile Banking	were done via the winbank electronic services

## GREEN BANKING

### THE ROAD TO ENVIRONMENTAL BANKING

2015 proved to be yet another demanding year for the Greek economy. The low levels of liquidity and growth along with the limited investment opportunities expanded further the multifaceted problems of the society and environment. However, one cannot overlook that the year that passed was important for the fight against climate change as the agreement of the global community in the Paris COP21 conference paves the way towards sustainable growth and the curbing of carbon dioxide (CO<sub>2</sub>) emissions. The European Union moves in the same direction, with the strategy it has adopted for many years now, to bring forward more and more the need for a new, without exclusions, sustainable economy, in which the resources will be used effectively, simultaneously preserving the natural ecosystems. For Greece, the turn to green economy constitutes an opportunity for the restart of the Greek economy.

Within this context, Piraeus Bank, having as a guide its comprehensive environmental policy and with the Green Banking Operations as a basic force, has set since 2009 the basis for the creation of specialised green products and services. The goal of the products is to support innovative investments through the promotion of rising green technologies in all fields of green

entrepreneurship, such as: power generation from Renewable Sources of Energy (RES), energy saving, alternative waste and water management, organic and responsible agriculture, eco-tourism and agrotourism, green transport and green chemistry. In this way the Bank provides to businesses and individuals who consider the protection of the environment as one of their basic priorities, all the suitable financial tools that are demanded by a society of low carbon emissions, through which the value of recycling economy is promoted and the basis for the prosperity of citizens are set.

### **GREEN BANKING AND MARKET GREEN PRODUCTS**

Despite the difficult economic conditions that prevailed during 2015 in Greece, Piraeus Bank Group continued to support green entrepreneurship. An additional motive to move into this direction was given by the power generation through RES and the modification of the relevant legal framework in 2015. With the provision to the market of the suitable tools for the realisation of the photovoltaic installation programme, with the goal of net metering, the existing loan and insurance products were adapted accordingly. The aim is to create an economic and environmental tool for houses and commercial properties. At the same time, these products provide the ability of combining net-metering with other innovative technologies (e.g. heat pumps), which improve the total energy efficiency and reduce operating cost.

In 2015, the financing of private customers for projects regarding energy saving or RES system installation, was realised from existing loan products i.e. the Green Consumer loan and Green Mortgage, as well as through the co-funded programme 'Saving at home' which was completed on the 31/12/2015.

Piraeus Bank created a new green product, 'Piraeus Green Business Energy Upgrade', for the 'Energy Upgrade' of commercial and business real estate. The new loan product has as its goal to service the needs of Small and Medium Businesses and Professionals, who plan to proceed to operations and purchase of equipment that achieve significant energy savings with a concurrent satisfactory economic return. The 'Piraeus Green Business' is offered with favourable terms and flexible procedures.

### **GREEN SERVICES**

The Bank, in co-operation with the subsidiaries of the Group (Excelixi Center of Sustainable Entrepreneurship SA and ETVA Industrial Parks SA) continued to provide specialised green services to businesses and organisations. Green services regard the design, implementation, operation and protection of business choices such as the energy saving and the application of environmental management systems, etc. Main goal is the transition to a modern business model in which the protection of the environment is set as a priority, ensuring it through appropriate certifications and offering a competitive advantage. Green services are offered with the support of experienced executives of the Group's subsidiaries and are revised regularly, so that they cover increasingly more needs.

In 2015, special emphasis was given to the capability development for the support of specific business sectors, such as hotels, processing companies, educational institutions, livestock raising and export businesses, where green services find exceptional application and can strengthen significantly their business activity.

### **RESULTS – GREEN PORTFOLIO**

Piraeus Bank has adopted an analytical procedure of monitoring its green portfolio and its positive contribution to sustainable growth. To that end, at regular intervals, the correctness of relative data is ensured through audits by independent accredited institutions before their

publication. The goal of Green Banking Operations is to constantly keep all interested parties informed and updated regarding the quantitative and qualitative data of the portfolio and its operation in the most transparent way.

At the end of 2015, Piraeus Bank Group approved limits exceeded €1.65 bn and loans outstanding €1.27 bn, having financed green investments of about 20,800 individuals and businesses. The marginal increase of customers and outstanding loans show that, despite the especially difficult economic conditions, the Bank managed to increase its shares, proving in this way its dedication to its goal, as well as the quality of its portfolio.

More specifically more than 18,000 individuals, with outstanding loans of more than €95 mn, were financed by Piraeus Bank in order to realise their investment. The biggest part of these comes from investments in more than 4,300 photovoltaic systems on rooftops (€68 mn). However the majority of private customers comes from the 'Saving at home' programme. In 2015 the 5-year implementation of the programme was completed in the midst of a difficult economic period, during which the Bank provided active support to household efforts for reduction of their power needs and energy saving. Since 2011 more than 13,000 customers completed their investment, with the Bank lending approximately €58 mn. The majority of them belonged to the lower income scale (personal income of less than €12,000 or family income of less than €20,000). Until the end of 2015, 30,274 applications had been evaluated as initially eligible, while according to decisions of qualification for the programme that have been published, the Bank has 29% of the qualifications completed, out of a total of about 45,000 completed decisions.

In total, until the end of 2015, approximately 2,700 businesses were financed by Piraeus Bank Group for the implementation of their projects in green entrepreneurship. Green financing to businesses, from the units of Small Business, Business Centres, Large Corporate Business and Piraeus Leasing SA, exceeded €1.16 bn, corresponding to more than 90% of the green portfolio. The largest part of loans was allocated to RES projects. The total capacity of projects financed by Piraeus Bank (including those already repaid) at the end of 2015, amounted to 975 MW; increased in relation to 2014. This increase is due to –among other factors– the update of data bases of green entrepreneurship projects in the systems of the Bank, after their operational upgrade that came as a result of the mergers during the last three years. Projects financed by the Bank have a 19.6% market share of the total installed capacity from RES in Greece (compared to 18% in 2014).

Specifically, more than 7,600 photovoltaic systems have been financed until the end of 2015, with the majority of them being up to 100KW, while the total capacity of all financed parks reaches 537MW. The Group's market share of photovoltaics for 2015 reached 20.6%. Significant financing, with active balances reaching €216 mn, have been received by Aeolian park projects. At the end of 2015, the sum of parks financed reached 377MW, representing 18% of the total installed capacity of Aeolian parks in operation in Greece. The Bank has also financed small hydroelectric stations of a 50MW total capacity, which corresponds to 22% of the total capacity in Greece. Finally, in 2014 and 2015, twelve biomass/biogas projects were financed with €38 mn, generating a total capacity of 10MW which corresponds to 20% of installed capacity in Greece from this specific technology.

With the operation of these specific RES installations, the emission of more than 2,124 tonnes of CO<sub>2</sub> in the atmosphere is prevented on an annual basis; a quantity which would require more than 160 million trees for its absorption.

#### GREEN INVESTMENTS

In 2015 an agreement was signed for the funding of a biogas project in Central Macedonia in the context of the JESSICA initiative. The project concerns the construction and operation of a unit that generates electricity and heat from biogas with the use of biomass, of a 0.998 MWe capacity. This project is added to four additional projects, for which the Bank has signed agreements the previous years, in Central Macedonia and Thessaly of an 8.2 MWe total capacity.

Finally, in 2015, the Hellenic Fund of Sustainable Growth, a mutual fund of ETVA Vipe SA and Piraeus Bank Group, was activated with the aim to support businessmen covering their own participation in new investments related to sustainable growth (energy production from RES, waste treatment and utilisation, etc.) with measurable social compensatory and environmental indices.

#### PROJECT SUPPORT

In order to achieve the best possible service for the Bank's customers, Green Banking operations focused on the support of the network and the central units of the Bank.

##### **Feasibility assessment of green projects**

An important part of green funding is the assessment of the projects related to the sectors mentioned previously. A relevant feasibility assessment is conducted both for new investment proposals for funding and for already funded projects. This control is connected with the examination of the technical characteristics of the investment, the applied technology, the accuracy of dimensioning, as well as the expected productivity. Moreover, in conjunction with the assessment of the economic figures of the investment, its sustainability is confirmed, protecting both the customer and the Bank.

The feasibility assessment of the projects is performed within the national and European frameworks, as these are defined by the existing legislation and regulations, checking the implementation of the investment licensing procedure. In relation to the projects already financed by the Bank, a feasibility re-assessment is conducted in order that the unhindered operation of the project and the smooth repayment of the grants are ensured. The aim of the procedure is to have the progress of the investment checked in various ways so that possible corrective moves are suggested for its more effective operation. Within 2016 the development of a complete Environmental and Social Management System is expected.

The System is designed for the recording, assessment and reduction of environmental and social risks related to the funding of the Group towards its business customers. The end goal is the reduction of the total environmental and social risk of the Group's loan portfolio. The relevant procedure is integrated in the Credit Policy & Practice Manual, already since 2014, reinforcing the importance of green financing for the Bank. As a result of this, during 2015, more than 900 assessments made of existing and new projects (+20% in relation to 2014) took place.

#### GREEN BANKING ASSOCIATE

In the context of a unified Group culture, the Operations of Green Banking reinforced the role of the Green Banking Associate, which was the main lever in the effort for the growth and promotion of green entrepreneurship. With constant and targeted training, the Associate provides continuous support in all stages of innovative project financing and implementation, to the customers of the Bank. The Associate ensures the accurate and timely update of the customers and the network regarding the business opportunities and the regulatory framework that governs Green Economy. Associates also participate in presentations and events organised by public organisations and the business world, with the goal of informing, presenting and promoting green products and services.

#### TRAINING

The wide content briefing and training of employees who came from acquired banks, continued during 2015. The goal of creating a unified culture in matters of environmental banking and entrepreneurship through the devised educational programme is a priority of the Bank, following a specific program.

The detailed and specialised further education of the employees of the Branch Network in relevant issues was also continued for the timely and valid service of our customers and of our employees in the units of investment plan approval.

Executives, by attending the programmes, learn about:

- the demands of European and National regulatory framework regarding the reduction of carbon dioxide, the climate change and the protection of the environment, in direct connection with the activities of environmental banking in the country,
- the findings, the threats and the opportunities that emerge for the market, through investments in green entrepreneurship,
- the evolution of technology and its optimal application.

There were several educational programmes created and/or updated, which were attended by approximately 2,600 participants, requiring 11,700 man-hours of training.

#### INTERNET

For the promotion of green entrepreneurship, since 2012, Piraeus Bank, has been offering to environmentally sensitive businesses an internet site, the Green Banking Portal ([www.green-banking.gr](http://www.green-banking.gr)), through which they have the ability to strengthen their presence in the domestic and international market.

At the end of 2015, businesses listed on the Green Banking Portal that promote green products and/or services to the market, increased by 10%. The same applies for businesses which –no matter the products they promote– had the opportunity to showcase the best practices they adopt for the reduction of their environmental footprint. With the aim of improving their environmental performance, companies present best practises such as power generation through RES, energy and water saving, recycling of materials, green supplies and the implementation of programmes targeting the reduction of pollution.

Moreover, in 2015, the involvement and presence of Green Banking in ‘Think Green’, continued for the 5th consecutive year on social media (Facebook, Twitter, Youtube and Flickr), showing the importance Piraeus Bank attaches to the communication with citizens through the internet. After all, the trend of the last years, with the explosive growth of social media, necessitates the coordination of the Bank with the online world, in order to inform and participate in a dialogue with the public regarding environmental and social issues, in matters of biodiversity and the promotion of the Greek nature, as well as for business news about environmental management and innovative ideas.

So, in 2015, the community of friends that followed 460 relevant posts on Facebook ‘Think Green’, numbered more than 33,000 users from Greece and abroad. Respectively, on Twitter the followers surpassed 1,000 users.

RES Project Figures	2015	2014	Change
Capacity from financed RES (MW)	975	862	+13%
CO <sub>2</sub> emission prevention (thousand tonnes)**	2,124	1,707*	+24%
Green financing limits (€bn   change %)	1.65	1.6	+3%
Green financing balances (€bn   change %)	1.27	1.2	+7%

\* The amount of CO<sub>2</sub> emission that was prevented was revised for 2014. The change is due to the update of the CO<sub>2</sub> emission coefficient for substituting fossil fuel.

\*\* The calculations for the CO<sub>2</sub> amount prevented from being emitted due to the funding of Piraeus Bank Group, are done based on the average CO<sub>2</sub> emission coefficient, the conventional Greek power generation and the average annual power generation per RES technology according to the latest published data of LAGIE (Operator of Electricity Market).

## **AGRICULTURAL BANKING**

### **THE AGRICULTURAL SECTOR AT THE HEART OF THE BANK**

Piraeus Bank recognises that the restructuring of the production model of the agricultural economy of the country is necessary, with the goal of securing the self-sufficiency of the country and the reinforcement of extroversion of agricultural businesses. At the same time, it also realises the important role of the agricultural sector in shaping the new growth model of the country and it declares itself present, solidifying its contribution to the growth of the sector and the national economy.

Piraeus Bank, as the leading support bank of the agricultural sector, has strategically chosen a complete framework of banking service and financing of the agrofood sector, encouraging the creation of synergies and supporting entrepreneurship in all agrofood chain, from the producer and its suppliers of goods and services to the businesses and the cooperatives that process, trade and export agricultural products. Piraeus Bank provides targeted financing and quality services of high added value to every link of the chain as well as solutions to all its customers.

### **NEW PRODUCTS & OPERATIONAL FRAMEWORK**

In the context of a holistic approach chosen by Piraeus Bank for the agricultural sector, it pursues to offer Complete Banking Solutions for every need of the farmers. At the same time, it constantly enriches and improves its existing products.

Aiming to provide service of high standards to its customers, Piraeus Bank, during 2015, the first year of implementation of the new Common Agricultural Policy and the new structure of direct subsidies, offered the option of prepaying part of these subsidies to farmers. Following the above, the Bank designed and offered the new Farming Support Loan (DAE), a product for the beneficiaries of direct subsidies, aiming to provide liquidity for covering their short-term needs. Utilising the flexible and preferential lending programme 'Support loan for Young/New Farmers', the Bank supported the necessary restructuring of allotments and the age-related renewal. To that end, it financed the purchase of arable land from farmers aged up to 40 years, for which land it is possible to receive interest subsidies even up to 100%, following the relevant approval decision by the Directorate of Agricultural Economy and Veterinary, of the Periphery they belong. At the same time, the Bank continued to support agricultural businesses that face financial difficulties in repaying their liabilities.

Emphasising further the servicing of its customers and the increase of funds effectiveness, Piraeus Bank develops a new approach to financing the agricultural sector. The aim of the Bank is to make financing –beyond the provision of liquidity– also contribute decisively to the settlement of significant structural problems of the economy. Piraeus Bank integrated its new philosophy in the financing of the agri-food sector with 'Contract Farming' being the first relevant example.

### **SIZE OF LENDING**

Piraeus Bank was faithful to its commitments for provision of liquidity and support to agricultural production, contributing to the course towards the economic recovery and growth of the national economy.

More specifically, in 2015, out of the sum of lending towards the agricultural sector, the outstanding balances amounted to approximately €1.5 bn, presenting an increase of 20%.



Basic Figures of agricultural banking	2015
Balances (€ bn)	1.5
Contract Farming collaborations (#)	171
Customers (#)	700,00

#### ACTIONS AND INITIATIVES

Piraeus Bank, beyond the financial backing initiatives, provides multilayered support towards the farmers through 31 Agricultural Entrepreneurship Centres, which operate in areas with important farming activity. The modern approach of Piraeus Bank for the comprehensive support of farmers and the agricultural economy passes through the operation of these centres, which are in a position to offer thorough information about the specialised banking products that cover the financing needs of producers.

In addition, Piraeus Bank continues to focus on the updating of the farmers in practical issues. This aim is served with validity, specialisation and reliability by the special periodical publication 'Epi Gis', which received an exceptionally honourable distinction at the international awards 'Platinum PR Awards 2015' and has successfully completed two years in circulation. Moreover, reinforcing its dominant role in the agricultural sector, it participated actively in relevant conferences, workshops, educational programmes and events.

#### CONTRACT BANKING

The innovative Contract Farming Programme is already operating for three years and constitutes a complete banking model of intermediation and targeted lending both of trade/manufacturing businesses and of individual farmers/stock breeders, in the context of a controlled process through the specialised mechanism of contract farming cards.

The programme coordinates producers and manufacturing/trade businesses, creating synergies that promote the production activity, contributes to the rationalisation of agricultural production, the modernisation of the transactional network and the creation of an extended network of retail agricultural supplies trade which strengthens the growth of local markets.

The liquidity provided through the Programme to producers and processing businesses/agricultural cooperatives, constitutes a defining factor in the more effective management of farms, in the strengthening of their sustainability and the production of quality certified produce. At the same time it facilitates the ability of better business planning and releases resources for the fulfilment of other business decisions and plans.

In addition, it is worth mentioning that during the especially crucial period of the restrictions on capital flows, the Programme adapted immediately to the increased liquidity needs that were created in the market and gave the capability to producers to cover, with the use of the 'special card' that has been provided to them, the cost of land workers through issue of "ergosimo", as well as their insurance contributions to their pension funds.

The growth of the programme is a clear proof of its success. Specifically, until the end of 2015, there were 171 processing and trade businesses/agricultural cooperatives participating in the Programme, with more than 17,000 producers –farmers and breeders– from the whole country, and the funding of Working Capital for producers and businesses exceeded €680 mn.

The contribution of the Programme to the support of the agricultural sector of the country, and of the Greek economy in general, is especially important, since it contributes to the extroversion of the Greek businesses and the boost of employment in the rural areas. According to the results so far, the businesses that participate in the Programme, employ more than 14,000 people and their exports reached €1.35 bn in 73 countries all over the world.

Within the last year Piraeus through its extended programme of Contract Farming, prepared its new step which regards the holistic approach for the support of the value chain of the Greek



agrofood sector, with financing both the first part of the chain that has as main components the purchase of production factors, raw materials and the primary production, as well as the second part which concerns the distribution and retail sale of products.

Specifically, the Bank having the goal of contributing to the reduction of the production cost of agricultural produce, proceeded to the design of a financing programme for merchants of agricultural supplies and pesticides offering them the ability to secure access to the specific market and take advantage of preferential pricing due to paying fully in cash. Part of the gain, benefits the final buyer of the supplies/pesticides; that is the producer, further improving in this way his income.

#### SUPPORT OF RELATIONS WITH AGRICULTURAL SECTOR

During 2015, Piraeus Bank, continued to support the agricultural sector of the country, providing products and services of high importance and added value to the Institutions/Organisations that are related to the sector, the Agricultural Cooperatives and the agricultural sector businesses.

For the service of the Institutions of the Agricultural Sector, the Bank has developed and offers a full range of products and specialised services that serve the entirety of their needs.

Specifically, the payment services of Piraeus Bank that regard the payment of community subsidies to producers and businesses were certified again, through the Quality Management System under the EN ISO 9001:2008, satisfying excellently the quantitative and qualitative criteria of the evaluation.

The Bank has also received the same certification for the payment service of the Early Retirement Programme for Farmers, the management of which has been assigned to Piraeus Bank by the Ministry of Rural Development and Food. Piraeus Bank is the only bank that has been certified till today for subsidy payments to producers, proving that it possesses the specialisation in the provision of high quality services, both to the paying Institutions and to the beneficiaries.

The contract renewal between Piraeus Bank and the Greek State was especially important and was enacted with the signing of the Additional Act in October 2015 and regards the assignment of services for the compliance, cash management and the financing of the Special Account for Guarantees of Agricultural Products.

With the renewal of the contract the financing of €2.5 bn was secured for the fiscal year 2015-2016, aiming at the unhindered payments of subsidies received by producers based on the new Common Agricultural Policy CAP 2014-2020. In the context of this cooperation, on 7.12.2015, Piraeus Bank completed with success the disbursement and payment of the first instalment of the Single Payment Scheme of 2015 to 560,000 beneficiaries, for €993 mn. The repayment of this financing from Community funds is expected at the beginning of February 2016.

In addition, during 2015, a significant number of payments was successfully completed; payments which concerned Measure 112 (establishment of young farmers), Measure 121 (Modernisation of farms), Measure 144 (Restructuring of the tobacco sector), Compensatory Indemnities Measure 214 (Agri-environment payments), etc. The number of these payments reached approximately 600,000 and the funds amounted to €500 mn.

Piraeus Bank by making throughout 2015 payments of considerable amounts to the agricultural sector continues to prove actively the support and the strategic priority it gives to the primary sector of the Greek economy.

#### INVESTMENT BANKING

Piraeus Bank provides financial consultancy services in the fields of mergers and acquisitions (M&A), as well as consultant and underwriting services for the whole spectrum of financial products in the field of Capital Markets.

The Bank continued in 2015, its participation in significant privatisations, buyouts, mergers, share capital increases, etc. Specifically, in 2015, Piraeus Bank in its capacity as financial consultant of the Hellenic Republic Asset Development Fund, completed with success several significant

transactions such as the sale of two important real estate assets in Agios Ioannis Chalkidiki and Belgrade in Serbia, while it continued to act as a consultant for other privatisation projects such as the further privatisation of Piraeus Port Authority SA, the privatisation of Thessaloniki Port Authority SA, the exploitation of the former Hellinikon Airport grounds, the sale of Astir Palace Hotel in Vouliagmeni, as well as the exploitation of selected real estate of the Greek State, such as the estates in Afantou region in Rhodes, in Porto Heli in Argolida, in Vartholomio in Ilia and commercial buildings abroad. To the private sector, Piraeus Bank provided consultancy services to customers, covering a wide range of business sectors, while it completed with success the mandatory public tender offer for the buyout of the TRASTOR REIC shares, as well as its own capital increase in the context of Greek banks recapitalisation.

#### STOCK EXCHANGE OPERATIONS - PIRAEUS SECURITIES SA

Piraeus Securities SA was again during 2015, dynamically present in the developments of the capital market, preserving despite the unfavourable economic conditions, its position in the whole spectrum of financial services and especially, in the trading of shares in international stock-markets, in the trading of bonds, in research and analysis as well as in the derivatives markets. Specifically, once more, Piraeus Bank Group held one of the first positions in stock market trading and occupied the 4th position with an 8.2% market share.

The main activities of the company are the intermediation for the trading of Greek and international shares, Greek and international derivatives, state and corporate bonds, the provision of margin accounts, the processing of stock market transactions performed through the Branch Network of the Bank. It also offers to private investors the possibility to complete their transactions both in the Greek and the international markets with speed and safety via a fully renovated electronic transaction platform.

During its long-standing co-operation with foreign institutional investors, Piraeus Securities SA has responded with success to their demands, with the result being most international organisations with presence in Greece choosing to use Piraeus Securities SA for their capital markets operations. Piraeus Securities SA was the first securities company in Greece in the field of derivatives. In its capacity of Special Negotiator and in co-operation with the Sales Department it has continuous presence in most derivatives and especially, in Futures and Options of shares and indices. The International Markets Unit is active in the provision of specialised investment services that cover the needs of investors on an international scale.

For the better service of investors outside Athens, the company, besides its headquarters, maintains two other branches in Thessaloniki and Patras. It also collaborates with several Stock Market brokers throughout Greece.

#### PARTICIPATIONS

During 2015, in the context of selling participations of the Group:

- Piraeus Bank proceeded to the sale of its participation share in the company Piraeus Bank Egypt SAE.
- Piraeus Bank proceeded to the sale of its participation share in the company AIK BANKA.

In the context of loan restructuring, Piraeus Bank acquired stakes in the companies:

- Trastor REIC
- Marfin Investment Group (MIG)
- ANEK SA
- Selonda SA
- Nireus SA

## ASSET MANAGEMENT TREASURY

Piraeus Financial Markets (PFM) was created as a result of the pursuit of the Bank to create a central hub of investment product and services provision, of accumulation of know-how in the money and capital markets and of the greatest possible utilisation of synergies and economies of scale. In 2015 several actions took place that focused on the support and further development of the Unit's activities, driven on one hand by the optimal funding of the Group's Operations and on the other hand, by the constant improvement of the experience of the customers with the Group, under the prism of the particular developments in the political and economic environment of the country.

More specifically, several projects were completed related to business planning, expanding the range of products and services offered, upgrade of existing or creation of new technology infrastructure, review of internal procedures to comply with the demands of the institutional and regulatory framework.

At the same time matters of timely and valid spread of information continued to be of concern both under normal conditions and during periods of intense volatility. To that direction, internal communication mechanisms were developed, that contribute to the increased levels of readiness demanded by a constantly changing environment.

The domestic political and economic developments had as a result the drop of share prices in the Greek Stock Market, the increase of spreads of Greek Government Bonds, as well as the creation of escalating uncertainty that was expressed with a significant outflow of deposits from the banking system during the 1st semester of 2015 and culminated with the imposition of capital controls at the end of June. During this crucial period, special emphasis was given to the constant and systematic monitoring of the transactional behaviour of the Bank's customers, as well as to the development of mechanisms for the unhindered and continuous supply of the biggest Branch and ATM network in Greece with banknotes, in order that the Bank responds to the needs of its customers. Despite the deposits outflow, the deposit base of the Bank continues to present significant qualitative characteristics and continues to constitute the most powerful element of its funding, while the cost of deposits continues to retreat in relation to the previous year.

It is worth mentioning that despite the difficult conditions, PFM continued to constitute the basic point of access for the customers of the Bank to the international money and capital markets, offering a wide range of investment products and services, as well as specialised solutions of Asset and Liabilities management and hedging for companies.

Especially during this year, the monitoring and effective management of liquidity was a priority of utmost importance for the Bank. In 2015 the reliance of the Bank from funding provided by the Eurosystem increased significantly, as a result of the deposits outflow from the domestic banking sector, the pause of Greek Government Bonds and Treasuries acceptance as collateral by the ECB and the limited access to the interbank Repos market. Despite the difficult circumstances, the Bank throughout the year participated actively as basic negotiator in all auctions of three-month and six-month issues of Greek Government Treasury Bills. In addition, a constant effort is being made to utilise available collaterals, as well as to expand counterparties in Repos transactions, aiming to the reduction of funding from the Eurosystem.

Towards the direction of the greatest possible utilisation of synergies and economies of scale, the Custody & Securities Services Unit was integrated to the PFM, allowing the promotion of post-trading activity services, as well as custody and settlement services which are mainly directed at institutional clients.

At the same time, the operational unification and integration of the Economic Analysis and Investment Strategy Units was completed. The goal of this action was to concentrate the preparation of economic analysis and studies to a central point along with the analysis of investment proposals and strategies, in order that all units of the Bank who provide investment products and services are supported comprehensively. In addition, the control by the accredited certification organisation (TUV HELLAS) was completed, granting to the Economic Analysis &

Investment Strategy Unit, the unique in its field in the Greek market, certification under ISO 9001:2008, regarding the methodology of design and review of Piraeus Screening Models for bonds, shares and mutual funds and of Investment Portfolios (in conjunction with the above investment choices).

During 2015, the acceptance of Piraeus Bank as a Member of the International Capital Market Association, ICMA, was completed. The initiative's goal was the further development of the know-how and the support in legal, regulatory and conventional matters that govern international markets of securities and Repos. ICMA numbers more than 470 members in about 60 countries.

In the context of further enriching the specialised wealth management services to customers of Private Banking and aiming to satisfy their special pursuits, co-operation agreements were signed with two credible international banks and with a specialised in taxation matters Consultancy Firm. At the same time, in the effort to constantly improve provided services and the experience of the customers, and driven by the geographical dispersion of the customer base, the finding of suitable premises for the geographical expansion of Private Banking offices within Attica was deemed necessary. Now, two new office units operate in the North and South Suburbs, making the service points, six in total all over Greece. The total assets under management amounted to €1.4 bn at the end of 2015.

2015 was a year of significant increase in the size and operations for Piraeus Asset Management Mutual Funds SA, since the total funds under management surpassed €1.1 bn (65% increase). Of these, approximately €0.4 bn regard 22 Mutual Funds which offer access to the domestic and international markets with headquarters in Greece and Luxembourg. The important increase in funds under management is essentially due to the doubling of funds of institutional portfolios. At present the company manages seven institutional portfolios and approximately 350 private portfolios of customers of a total value of €0.7 bn. The size and structure of the funds constitute a guarantee and a basis for the constant growth course for the company. In addition, the Institutional Mandates & Distribution unit was created having as its main goal, the communication and promotion of the provided products and services towards Institutional Customers. The operations of the company in the Cypriot market were expanded, after the acquisition of the licence to provide cross-border portfolio management services, while investments for the upgrade of the operating functions and systems of the company were made, such as the investment in the new risk management system and the start of a redesign and upgrade project of the company's website. It is worth noting that in the annual awards of the Pan-Hellenic Association of Mutual Funds Shareholders, that took place in the context of the Money Show, eight Mutual Funds of Piraeus Asset Management Mutual Funds won prizes in seven different categories. The ranking of Mutual Funds is exclusively done based on the annual and three-year yields and only the top three of each category win prizes.

Especially noteworthy was the increase recorded in the placements of mutual funds of represented companies. Specifically, Piraeus Bank has signed representation co-operations with twelve reputable and credible international Agencies, monitoring and providing thus to its customers, access to more than 1,200 Mutual Funds. The balance amounted to approximately €2.8 bn at the end of 2015 from €580 mn the previous year.

With the successful completion of the recapitalisation of the domestic banking sector and the return to conditions of normality, the effective management of liquidity constitutes a basic aim for 2016, in order to reduce the reliance of the Bank from the Eurosystem in the context of actions to re-attract deposits. Taking into consideration the significant increase of banknotes circulating inside the country, the importance of actions to regain the trust of depositors towards the domestic banking system becomes clear. PFM, looking forward to the best possible utilisation of the synergies that emerge from its operational model, will continue to contribute with specific initiatives and actions to the further development of Piraeus Bank Group's operations.

## REAL ESTATE DEVELOPMENT AND MANAGEMENT PICAR SA

The company has undertaken, until 2052, the utilisation and exploitation of the 65,000 m<sup>2</sup> CityLink complex, which covers the block between the streets of Stadiou, Voukourestiou, Panepistimiou and Amerikis in the centre of Athens.

The users of CityLink are among the most trustworthy and well-known companies in the Greek and global market which add prestige to the complex and the company. CityLink accommodates the headquarters of Piraeus Bank which occupy an area of 13,000 m<sup>2</sup>, the Attica Department Store which expands in an area of 25,000 m<sup>2</sup>, and various fully renovated department stores, theatres and restaurants.

## PIRAEUS REAL ESTATE SA

Piraeus Real Estate SA offers the full range of services for the design, development and management of real estate. Its field of expertise includes real estate development, project management and administration, comprehensive property management on behalf of an owner-investor, property appraised, brokerage intermediation as well as real estate investment consultancy services to companies and funds. In 2015, the construction of one of the three property projects in Arta continued, while that of the other two has already been completed, with a total budget of €5.4 mn. The company provided appraisal services with total revenue of €3 mn. The handling services of the programme 'Saving' and the consultancy services regarding the programmes analysed below amounted to total fees of €720,000.

Piraeus Real Estate, in co-operation with Piraeus Bank, handles from 2014 agreements with the European Investment Bank for the management of Urban Development Funds of the JESSICA programme for the Peripheries of Central Macedonia and Thessaly (management of approximately €40 mn funds from Structural EU Funds with €17 mn co-financing from Piraeus Bank). The total commission of Piraeus Real Estate for the projects of the programme during its life cycle is estimated at approximately €1.6 mn.

Piraeus Real Estate, in partnership with Piraeus Bank and other companies, continued to serve agreements of financial consultancy services with the Greek State/Hellenic Republic Asset Development Fund SA (HRADF) in matters of recording, public property utilisation and privatisations.

In summary, Piraeus Real Estate, through agreements with the R/E companies of the Group in Greece and abroad, manages real estate property of a total value of approximately €600 mn. The total gross revenue for the Group from the operation of R/E companies amount to approximately €30 mn per year.

## ETVA INDUSTRIAL PARKS SA

ETVA Industrial Parks was founded in 2003 following the carve-out of the Industrial Parks sector from the ETVAbank, during its acquisition from Piraeus Bank Group. The company belongs to Piraeus Bank by 65% and to the Greek State by 35%.

Its main purpose is the design, development, exploitation and management of industrial area lands (industrial areas, industrial business areas, biotechnology industrial parks) and Business Parks. ETVA Industrial Parks SA is the biggest industrial and business real estate institution in the country.

The mission of ETVA Industrial Parks SA today is the effective management and exploitation of industrial area expanses, the creation of modern and sustainable business parks and the provision of high quality conventional and innovative services, with the goals of:

- the support of already based companies and the facilitation of business synergies and networking between them,
- the creation of opportunities and the attraction of new business activities in the existing and new Industrial Areas, for the benefit of the local and regional development of the country,
- the determinant role in matters of industrial

and business growth of the country and more specifically in matters of industrial park development and the development of business initiatives linked to these parks, as well as in matters of applied technologies of environmental and agricultural innovation, at national and international level, and the 'export' of obtained experience and know-how, through the provision of high quality services, in other companies, institutions and organisations in Greece and South-eastern Mediterranean.

Today, ETVA Industrial Parks SA administers and manages 26 Industrial Areas and Business Parks with modern and transparent procedures, improving the infrastructure and rationalising their cost of operation.

In areas of the company's responsibility, about 1500 companies are operating, which employ approximately 30,000 people. The turnover of these businesses reaches €9 bn, corresponding to approximately 5% of the country's GDP.

ETVA Industrial Parks SA, in collaboration with Piraeus Bank, also promotes, investments aiming at the development of new innovative actions in the context of green economy driven by social reciprocity.

The investment-growth plan of the company moves along strategy lines partially defined by the basic axes of involvement of the Hellenic Fund for Sustainable Development (ETVA FUND), a subsidiary of ETVA Industrial Parks SA founded in December 2014.

The aim of ETVA FUND is its share capital participation in sustainable investments of high added value with characteristics that ensure high and measurable social and environmental indices in the future. The total amount of available funds for capital investment of ETVA FUND will reach in a first stage €50 mn, with an investment horizon of four to five years. The number of investments is estimated to reach 25-30, while total funds leveraged are expected to be approximately €400-500 mn.

The existing experience and know-how of ETVA Industrial Parks SA and that of its human resources, the optimal utilisation of the existing reserves of industrial lands, the collaboration and the experience of Piraeus Bank Group and especially the cooperation of the Green Banking Unit as well as the institutional jurisdiction of the Greek State, reassure a growth course for the company.

Numbers  
are letters.

Numbers with  
many digits  
are words.

Long equations  
are short stories.





# INTERNATIONAL OPERATIONS

Piraeus Bank Group maintains presence in the markets of Southeast Europe with 278 branches in total: in Albania, Bulgaria, Romania, Serbia and Ukraine. It also has a branch in London, one in Frankfurt and a representation office in Moscow.

Due to the instability in Greece, the imposition of capital controls and the recapitalisation of the Greek banks during 2015, the customers of the Subsidiaries abroad sought the safety of their deposits in banks that had no exposure in Greece. Thus, there was a reduction of deposits, a trend that was quickly reversed though, following the agreement for the 3rd programme of economic support of Greece, the stabilisation of the macroeconomics and especially following the recapitalisation of the Greek banks. Today the Group's Banks abroad have significantly high levels of liquidity, again.

Despite the fact that the growth rate of GDP in all countries in which the Group is present (except Ukraine) was positive for 2015, it should be stressed that the rate of credit growth was negative everywhere except Romania. This fact, in conjunction with the general economic climate in Europe, leads many of the big European banks that have invested in the wider region to re-examine their model and to select the countries they consider significant (core countries) and in which they will continue to have a presence. Within this context is the exit of Piraeus Bank from the Egyptian market in November 2015. This was actualized through an especially satisfactory sale agreement of the subsidiary Piraeus Bank Egypt SAE to Al Ahli Bank of Kuwait, at a price of €150 mn; equaling approximately to 1.5 times the equity of the Bank. At the same time, the activity in Cyprus was included in the discontinued operations since the end of 2015. The liquidity and capital adequacy indices of the Subsidiaries of Piraeus Bank Group are in considerably higher levels than the minimum allowed indices and are monitored closely. In addition, in order to strengthen the capital adequacy of Subsidiaries, two conversions of Subordinate loans were carried out within 2015 into Tier 1 share capital, amounting in total to €41.5 mn. The capital corresponding to Piraeus Bank Romania, in particular, reached €24 mn and the respective of Piraeus Bank ICB (Ukraine) €17.5 mn.

In summary, the basic pillars of action of international operations in 2015 were:

- **Founding of Recovery Business Units (RBUs) in each Subsidiary abroad. These units are departments within each subsidiary, specialised in the management of NPLs, with the ultimate aim to increase recoveries and reduce NPLs. In the countries the Group operates in, 255 executives in total are employed in RBUs.**
- **The preservation of deposits. As noted above, due to the Greek crisis, banks abroad placed special emphasis on their relations with their cus-**

- **tomers and the preservation of the deposit base.** low growth dynamic of Greek banks abroad during 2015, special weight was given to the rationalisation of cost, so that it reflects the optimal level of expenses that correspond to the level of present activities.
- **The active management of real estate holdings of every Subsidiary, with the ultimate aim of selling them.**
- **The further rationalisation of cost.** Given the

The achievement of €70 mn pre provision operating profitability for all subsidiary banks abroad was the result of the above. In 2015, total Assets of subsidiaries abroad amounted to €5.7 bn.

Branches Network		2014	Change
Romania	120	130	-10
Bulgaria	75	83	-8
Serbia	26	33	-7
Albania	39	47	-8
Ukraine	18	24	-6
London	1	1	0
Frankfurt	1	1	0
<b>Total</b>	<b>280</b>	<b>319</b>	<b>-39</b>

*\*In 2015 data, discontinued operations are excluded, while the 2014 data include operations in Cyprus and Egypt.*

The continued international operations of the Group constituted 6% of the Group's Assets, 28% of the branch network and 19% of its human resources

Basic Figures (€ mn)*	2015	2014
Assets	5,652	9,093
Loans before provisions	4,149	6,916
Deposits	2,810	5,381
Employees	3,680	5,705

*\*In 2015 data, discontinued operations are excluded, while the 2014 data include operations in Cyprus and Egypt.*

## BANK RELATIONS

Within the past year's extremely difficult economic and financial environment, the Bank Relations unit succeeded in maintaining its relations with collaborating banks and gradually restoring their shaken trust.

With noteworthy effort, it contributed fundamentally and successfully in providing improved quality and cost effective service for the commercial and interbank operations of the Bank, despite the rising limitations and the uncertainty that shaped one of the most significant crises ever experienced in our country.

Following the imposition of capital controls, the Bank Relations Unit acted immediately and effectively, supporting all the Bank's Units in need of its support for the smooth execution of their transactions while also updating the credit institutions abroad regarding the status in the Greek banking market.

The Unit's role was important in the absorption of the Panhellenic Bank and in supporting the relations with the Cooperative Banks that emerged after the unification.

### PIRAEUS BANK BEOGRAD AD

Piraeus Bank has been present in the Serbian market since 2005, following the acquisition of Atlas Banka, which was later renamed to Piraeus Bank Beograd. In the end of 2015, subsidiary Piraeus Bank Beograd had 26 branches, offering a wide range of banking products and services both to individuals and businesses.

During 2015, the effort to improve the quality of the loan portfolio and attract deposits was intensified, while a restructuring of the branch network took place, followed by a reduction of their number by seven branches.

The table that follows presents information regarding the operations of the Group in Serbia for the financial years 2014-2015.

Operations in Serbia (€ mn)	2015	2014
Assets	444	549
Loans before provisions	361	447
Deposits	249	269
Branches	26	33
Employees	452	511

### PIRAEUS BANK BULGARIA

Piraeus Bank Bulgaria started its operations in 1993 with the establishment of its first branch in Sofia and it consisted the first foreign bank in Bulgaria. At the end of 2015, its network numbered 75 branches across the country, and the Bank continues to be of the major banks in Bulgaria.

During 2015 Piraeus Bank Bulgaria made significant efforts for the preservation of its loan portfolio quality, the increase of deposits and the further reduction of the Bank's operating cost.

Customer deposits at the end of 2015 decreased by 10% and amounted to €1,040 mn, while the Group's loans in Bulgaria decreased by 18% in relation to 2014 and amounted to €1,080 mn.

Operations in Bulgaria (€ mn)	2015	2014
Assets	1,502	1,749
Loans before provisions	1,080	1,323
Deposits	1,040	1,152
Branches	75	83
Employees	885	953

### PIRAEUS BANK ROMANIA

Piraeus Bank Romania was founded in 2000 in order to satisfy the needs of Greek businesses that were operated in Romania, but soon expanded in all sectors of banking towards the local businesses and households. As a result of this growth, its bank network was significantly expanded, numbering, at the end of 2015, 120 branches in all major cities in the country.

During 2015, Piraeus Bank Romania placed special emphasis on:

- reorganizing its network, by discontinuing the operation of 10 additional branches,
- restructuring its loan portfolio,
- preserving its deposits,
- reducing the financing derived from the mother bank.

The deposits of the subsidiary in Romania were significantly affected by the condition of the Greek economy and showed a significant drop during the first 9 months of the year, until September. This course was reversed in the last quarter of the year.

Operations in Romania (€ mn)	2015	2014
Assets	1,581	2,086
Loans before provisions	835	1,509
Deposits	853	1,141
Branches	120	130
Employees	1,435	1,605

#### TIRANA BANK

Tirana Bank started its operations in Albania in September 1996 and it was the first private bank to operate in the country. At the end of 2015 it had a network of 39 branches across the country and is placed among the top banks in Albania.

Despite the deterioration of the economic climate in 2015, Tirana Bank maintained its deposits at a high level, amounting to €460 mn. For yet another year, it operated as a subsidiary, without requiring funding from the mother Bank.

Operations in Albania (€ mn)	2015	2014
Assets	602	745
Loans before provisions	271	339
Deposits	460	555
Branches	39	47
Employees	429	460

#### JSC PIRAEUS BANK ICB

The presence of Piraeus Bank in Ukraine began in 2007 with the acquisition of the local International Commerce Bank. At the end of 2015, the network of JSC Piraeus Bank ICB included 18 branches across the country.

The main driver behind the decrease of the financial figures, was the significant devaluation of the country's currency, due to the conflict with Russia and the sociopolitical upheaval in the country.

Operations in Ukraine (€ mn)	2015	2014
Assets	154	209
Loans before provisions	115	136
Deposits	52	63
Branches	18	24
Employees	438	518

### PIRAEUS BANK, LONDON

Piraeus Bank's branch in London operates since 1999 and is supervised by the local authorities. The main mid-term goals of the branch refer to:

- achieving of high quality service with specialisation in personal banking,
- providing of deposit products,
- providing mortgages to Greek and British citizens who reside in Great Britain and are interested mainly in the acquisition of real estate property in Greece, Great Britain and other countries in which Piraeus Bank Group has a presence,
- raising funds,
- supporting the operations of Piraeus Bank and of its subsidiaries in a context of mutual co-operation.

Piraeus Bank Branch in London (€ mn)	2015	2014
Assets	1,115	1,174
Loans before provisions	1,471	1,658
Deposits	26	20
Branches	1	1
Employees	22	22

### PIRAEUS BANK, FRANKFURT

The Frankfurt branch was integrated in Piraeus Bank Group after the first half of 2012, with the acquisition of the 'healthy' part of former ATEBank.

The branch in Frankfurt constitutes today the single presence of the Greek banking system in Germany.

The Branch offers products that are summed up in deposit products, online Banking, letters of guarantee, payments and domestic and foreign remittances while it also focuses on attracting of deposits from Greek customers.

Piraeus Bank Branch in Frankfurt (€ mn)	2015	2014
Assets	152	122
Loans before provisions	16	18
Deposits	131	99
Branches	1	1
Employees	14	15



Details are  
something  
more than the  
word implies.





# TECHNOLOGY, ORGANISATION AND CENTRAL OPERATIONS OF THE GROUP

## GROUP INFORMATION TECHNOLOGY

In the context of harmonising the priorities of the di with the business plan of the Bank for 2015, the Technology Unit of the Group focused on the following projects and activities:

- Institutional obligations, as they emerged from the imposition of capital controls, from the revised Supervisory Authorities as well as from the conduct of AQP/Stress Test of SSM. Supporting the NPLs restructuring management operations.
- Improvement of the operating quality of the Bank with the utilisation of cutting edge technology. Upgrade of the customer service quality with the revision and redesign of time-consuming procedures and operations.
- Preservation of the technological superiority through the upgrade of infrastructures, equipment and applications.
- Integration of the information systems and procedures of former Panellinia Bank.

Based on the above, a significant number of crucial projects was completed. As shown on the histogram that follows, the information systems investment expenditure showed a rising trend for a third consecutive year. In addition, the analogy between information systems investment and expenditure of the Bank is identified with the respective average of 2,000 financial institutions that are presented in a worldwide research by the Gartner agency.

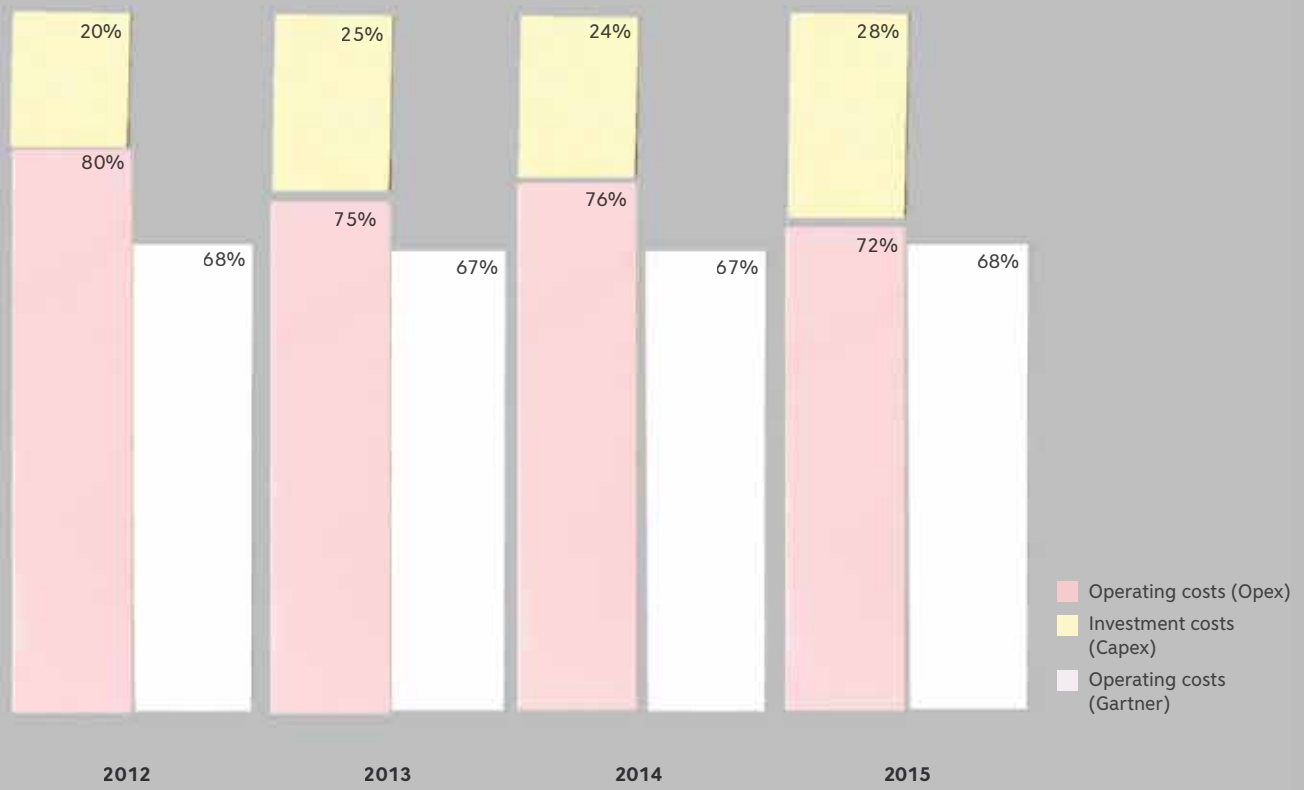
## UNIFICATION OF INFORMATION SYSTEMS OF FORMER PANELLINIA BANK

During July 2015, the projects regarding the integration of systems of former Panellinia Bank with those of Piraeus Bank were completed with absolute success. The unification methodology that has been created by Piraeus Bank was applied for the seventh time in a period of three years.

## DEVELOPMENT & IMPROVEMENT OF IT SYSTEMS

The drivers for the development and improvement of the information systems for 2015, have been the optimisation as well as the integration of infrastructures, procedures and systems that

Share of operating costs on Piraeus' Bank IT investment costs



is demanded by the constantly changing business and economic environment with the main goal of achieving economies of scale, increased security, functionality, integrated management from the end user and finally increase of the competitiveness of the Bank.

A Core banking Application Server was developed with services that use the available Application Programming Interfaces of the Equation Central System. It functions as an intermediary layer, using newer and more homogenised technology and architecture, with the result of calls being executed at impressively faster times.

Through the new infrastructure the interconnection of applications has been improved in multiple points. In parallel, the new functionality 'CBAs trigger Mechanism' was implemented through which the Datawarehouse update times are improved.

#### **Innovation (e-Signature /Paperless Branch)**

Attaching special importance to the customers being able to enjoy an outstanding experience in the Bank's Branch Network, the innovative service 'e-Signature' was realised and implemented, being the first of its kind in the Greek banking sector. The new service offers the ability for a signature of customers or Bank employees to be electronically received on documents and agreements, simplifying the transactions and providing greater security. The basic goals of the service are the transition to a 'Paperless Branch' and the improved digital service experience of the customer in the branches.

#### **Payment and Deposit Systems**

The imposition of capital controls had as a result the modification of systems in order that the required limitations in the transfer of capital are exercised inside and outside Greece. In addition, the automated management of exceptions and separate limits is provided, resulting in the secure and immediate as much as possible service of customers, not only through the Branches but through the electronic channels of the Bank as well. The systems of Capital Flow and Work Flows of the Bank were connected so that the processing of remittances for approval is conducted under full control and automation.

A Data Warehouse was created, which is updated with the full details of Remittances to and from the Bank, in order that valid information about them is provided immediately.

The participation of the Bank in online processing of inter-bank payments (DCT – Online), now provides the ability of immediate processing of inter-bank payments to customers, while at the same time it contributes to the increase of revenue.

Applications that emerged from the 260/2012 ECB Regulation, were set in operation; the Regulation calls for the full redesign of the transactions of payment archives, remittances, payrolls, etc, between the customers and the Bank.

EasyPay Point service, which regards cash payments through a POS device to a number of collaborators-agents, was enriched with various new types of payments of several Organisations and Public Utilities. At the same time, the service was expanded to additional sale points through central co-operations with selected collaborators (Payment Institutions and Utilities Companies).

The new payments package solution 'exofLISI' was created. With the pre-purchase of a payments package, customers can pay-off with no added expenses, for a year, their bills for energy, water, telephone, insurance.

For the first time in Greece, the automated payment machines EasyPay were technologically upgraded, so that they provide the ability to process payments with the use of credit cards.

#### **Cheque & Commission Systems**

The new Commissions System has now the ability to use multiple basic price lists for the services of the Bank. The choice of each basic pricing is done automatically based on the category of the customer. Important systems of the Bank were connected to the pricing infrastructure, so that the calculation of commissions or of possible special pricings for the customer is done automatically.

The Bank's locker support system has been enriched with new functionalities such as the

customer-centric management of visits and the automated collection of arrears for their leases resulting in the improvement of service time of customers.

#### **Investment Systems**

During 2015, new payment capabilities were created for the application of Cash Distributions (discount securities, coupon rate payment and reversal entry, maturity payment) through an archive from the Depository.

Regarding Security Custody services, the ability to input entries of stock purchase/sale orders from the Relationship Managers of the investment hubs was provided, with the online updates about price and market depth of a stock.

The procedures of securities liquidation in the Greek market were automated, creating a more structured environment with more liquidation options.

There was also an infrastructure developed for the control of account balances of customers directly from the custody system; a functionality which supports the update of full Cash Flow Projection, giving a comparative advantage to the provided Security Custody Services of the Bank.

#### **Insurance Product Systems**

In the context of the product discount campaign, there was a new parametric function created, with the provision of value or percentile discount per product or cover. A function for the annual renewal of contracts was developed for the product Health Solutions Gold.

The functionality of the Bonus provision over commissions was enriched through parametric introduction from different supply systems (General sectors, Leasing, etc) as well as through the unification of the return of the year's quarters.

#### **Time Deposit Systems**

The time deposit 'Do It Yourself' was integrated in the new customer rewards programme of the Bank. The customer has the ability to collect points every time he receives interest from his time deposit.

In the context of the newly established collaboration with the Ministry of National Defence, regarding the provision of banking products and services to all personnel of the Armed Forces (active or not), a functionality was created so that specialised Time Deposits of preferential pricing are supported.

#### **ATM/Card/Switching Support Systems**

The replacement of existing Switching and Acquiring systems was completed with success, from the most modern system 'Authentic' of NCR/ALARIC.

The new switching system provides the ability of transaction and application development with the use of new technologies and extensive parametrisation, according to the strategic choice of the Bank for internal development.

#### **Electronic Banking Systems**

The primary target for 2015 was the unification of the infrastructures of electronic banking so that important functions can operate in the unified winbank International platform. Such functions include: 244 bill payments, debit card management, cheques management, payments history, winbank direct management, EFT POS transactions, loan payment, talk time renewal and the PCP service.

The offers website of the Bank, yellowday.gr was enriched with new functions. It constitutes the new suggestion in the field of purchases from Piraeus Bank Group with new daily offers. The purchases are done via debit, credit or pre-paid cards of any bank, while the users who use a Piraeus Bank card secure the best possible price. Yellowday service was awarded with the BRONZE Award in the category 'Customer Experience' of the Lighthouse E-volution Awards 2016.

### **Credit Systems**

The functionality of settlement orders was enriched so that it is compatible with the Target Operating Model and Code of Conduct framework, and so that it supports Farmers Mortgage products, Restructuring Campaign Management and Humanitarian Crisis.

The automated evaluation of credit cards and consumer loans without collateral was implemented. At the same time, the procedures for Contract Farming were optimised so that the customer can visit the branch just once.

The automated loan disbursement was implemented for SBL customers and an interface for the supply of Eispraxis was created, with order data in the context of the Target Operating Model (TOM) and Code of Conduct.

### **Grants Systems**

The grants systems were modified in order to support private loan settlements through standardised solutions (Target Operating Model), through the connection of the systems LS, Velti and through defaulted loans management, automated completion of conventional documents and automated accounting of defaulted loan accounts.

The application 'Solutions Bundle' was created for the parametric definition of settlement products and the centralised management of private loan changes with automated update of the settlement elements.

The procedures of partial or whole repayment of loans were modified for the application of the Legislative Act's provisions regarding capital controls and stock market transactions. The functionality of Euribor and Libor interest rates was enriched in the main loan system LS.

### **Collections Systems**

Important functionality extensions were implemented in the system EFS, the existing data structures were enriched, while new connections with existing systems of the Bank were developed, so that the business demands emerging from the application of TOM and Code of Conduct are covered.

In addition, a Data Warehouse was designed and utilised so that increased demands of reporting and ad hoc analysis are covered, without the system being burdened.

### **Treasury Systems**

A connection of Kondor+ and Equation systems was implemented in order that the new way of processing acts of the Secondary Bond Market is supported.

The functionality of system OPICS which supports the operations of the Treasury Back Office was expanded, so that FX Options are supported, while the necessary changes for the completion of the Target2 Securities project were made.

### **Risk Management Systems**

Special emphasis was given to the enrichment and update of the data supplied to Risk Data Mart (Middle Tier II). There were significant extensions developed with the goal of supplying Risk Data Mart with more data such as deposits, revenue, expenses, adjustments, provisions, IFRS codes, real estate information.

New programming structures were implemented to calculate NPEs, Provision Unwinding, Provision Reverse Unwinding, Impairment Flows, Collateral Allocation, Limits.

The application Loan Treatment Tool was installed in productive operation for business loans, while a new system of Individual Provisions management was developed.

### **Business Process Management Systems**

The confiscation application was enriched in order to support e-confiscations of the Social Insurance Institute (IKA), and the new approach of future credit management.

The HelpDesk procedures of the Bank were automated, and they are provided to internal users and regard matters of technical projects and information system technical and operational support.

A specialised system for the control and evaluation of banking transactions was developed and a parallel connection was made with system IRIS of the Bank of Greece for similar controls. A functionality for the automation of the application process for POS device provision to merchants was developed.

#### **Business Intelligence Systems & CRM Systems**

With the aim of monitoring the performance of the Network of Branches, based on the methodology of Balanced Scorecard, a new information infrastructure was created. The infrastructure offers the ability to monitor the performances of the Branch Network in a unified way and based on current strategies of the Bank, in relation to quantitative and qualitative targets, which emerge from the basic strategic dimensions of Financial Robustness, Customer & Market Development, Optimal Procedures, Employee Development.

The provision of information towards the Recovery Business Units was enriched, with analytical information about grants financial data and settlements, along with the monitoring of the evolution and status of the ratio of loans in arrears for more than 90 days (NPL).

In addition, expansions and adjustments were made in the flows of materiality calculations, both in business and private financing.

A series of expansions was implemented in the central Data Warehouse of the Bank having as primary goal the provision of information and capabilities of multidimensional analysis in the areas of commissions, remittances, payments and discounts.

New functionalities were developed in the infrastructures of IntraDay PPM systems, where in addition to the monitoring of the liquidity of the Bank in real time, the capability of bank-note control is also given now from multiple perspectives.

New operations were developed in the basic customer-centric branch platform (ICE), with the goal to provide capabilities of electronic signature of documents for customers with clear benefits in their improved service as well as more productive management of available resources.

In the context of creating a customer-centric reward system through which the Bank can reward customer behaviour towards banking products, services and channel use, in 2015, the first phase of Bank Wide Loyalty, was given to production, rewarding the start of time deposits. During the first quarter of 2016 the whole system is expected to be available.

#### **Compliance Systems**

Redesign operations were completed in the Norkom system, aiming to reduce WLM Checks and produced alerts, improve the performance and quality of produced alerts and the clearance of exceptions.

New statistic reports were developed for the needs of Capital Flow, standardising the rules and automating their production on a monthly basis.

The update of Accounts Registry with transactions that are defined by the demands of the first two phases was completed. Users were given the ability to surpass the Register's data as well as elements of the demands that are processed automatically through it.

A mechanism of automatic data production from Registry was created for isolated demands, so that removal of confidentiality requests can be answered promptly by Compliance.

#### **Human Resources Management Systems**

Aiming to improve functionality, increase productivity and upgrade services towards the employees of the Bank, during 2015, there was a series of changes in the HRMS system completed. Specifically, the functionality of Mapping procedures was expanded with the object of managing the skills of the Group's employees, the management of summer camp applications was introduced and the functionality of managerial information subsystems was enriched.

#### **Financial Management Systems**

During 2015, the operation and development platform of the Financial Management system Atlas ERP was upgraded. Its functionality was also enriched in order to support the

management of advance payments, the balance agreements of creditors, leasers, asset suppliers with General Accounting, the agreement and monitoring of advertisement tax.

#### **Software Quality Assurance**

During 2015, the participation of Software Quality Assurance Unit was extended in the conduct of proper operation trials of the LOS and VELTI certification systems. It also conducted trials in the flows of the APPIAN business procedures system and in projects of the subsidiary in Cyprus.

### **OPERATION & TECHNOLOGICAL INFRASTRUCTURES**

#### **BRANCH NETWORK INFRASTRUCTURES**

#### **Improvement of Branch Infrastructure**

Aiming to improve the customer service, an upgrade of the priority system was completed, throughout the Branch Network, to the new version that provides centralised management and report production as well as capability of added services towards the customers.

The XIBO advertising messages projection system was extended to 380 branches of the Network for the promotion of the products of the Group.

For the promotion of winbank service to the customers of the Branch Network, tablets became available to 300 branches along with 100 wifi printers.

#### **Wireless internet connection provision to the Branch Network and ATMs – Piraeus free WiFi**

The provision of wireless internet connection is offered in the context of the Bank's strategy that places emphasis on the design of services that facilitate the customer service in the use of cutting edge technology and innovation, with the provision of new experiences both in and outside of the branch. In addition, aiming at customer relations of depth through two-way communication and diffusion of knowledge and training, the new service Piraeus Wifi was created, which allows free wireless internet access at all points of presence of the Bank to everyone (customers or not). Within 2015, the wifi equipment infrastructure was completed in 745 branches of the Network and in 87 off site ATMs in the Prefecture of Attica. With this project the provision of new experiences that create value for the customer is achieved along with the utilisation of the infrastructure with the use of tablets that are available at the branches for the promotion and demonstration of the functionality of Electronic banking to the customers. Simultaneously, the executives of the branch incorporate digital philosophy in their everyday work, demonstrate the electronic networks to the customers and guide them in their use, offering a comparative advantage to the Organisation.

#### **Communication line upgrade**

The upgrade of communication lines of the branches was completed with the goal of improving communication speed, increased availability of the network through reserve equipment, exploitation of modern 4G connectivity technologies and the parallel cost reduction.

#### **ATMs**

With the goals to improve provided services for all customers –especially after the imposition of capital controls– and ensure ATM operation, a series of interventions to the ATM Network in Greece was completed.

The ATM Network was reinforced in order to cover increased customer service demands, with the addition of a second machine at selected points (26 new installations and 106 points in total in the Network). In addition 41 new ATM installations with online depository were made, increasing the total amount of ATMs with depository to 251 (30% of the ATM Network in branches).

The presence and operation of the automated passbook printers was reinforced (506 Easy passbook printers in total) aiming at the decongestion of Branch cashier desks through

the automated update of account transaction history in the savings account passbooks of customers. It is noted that 1 out of 3 cashier desk actions is processed by EasyPassBook. The operational upgrade of ATMs was completed in 251 branches and 89 new APS with simultaneous operational upgrade of all machines (562 in total), in order that it is possible to manage new banknotes of €20 that were channeled to the market from the ECB, and counterfeit banknotes (ECB Directive 6).

There were 38 devices with the ability to handle mass online deposits installed, so that the specialised capital management needs of the customers are met. This specific service is provided for the first time and aims at the service of large businesses with simultaneous increase of deposits for the Bank.

#### TECHNOLOGICAL INFRASTRUCTURE UPGRADE OF IT CENTRES

Consistent to the goal on one hand of the constant improvement of availability and the efficiency of the Technological Infrastructures of the Bank and on the other hand of effective and secure management of their operation, a series of interventions was made, the most important of which follow:

##### **Main IT Centre**

Unification of all central systems (AS400) into three systems with the benefits of improved system resource management, increased response speed, parallel cost reduction and unified management.

An automation of daily flows execution was achieved at the central IT systems through a specialised application, with the goal of reducing the operating risk and save time.

##### **Back-up IT Centre**

The reserve IT Centre for Piraeus Financial Markets systems and operations was transferred to Thessaloniki and it was incorporated in the infrastructures and procedures of the existing Back-up IT Centre of the Bank.

#### CENTRAL SERVICES TECHNOLOGICAL INFRASTRUCTURE UPGRADE

The installation of a WiFi network in the central buildings of the Bank was completed. The new infrastructure provides to the Bank's executives and associates the ability to connect via portable devices to the internet, supporting their professional needs. The benefits will be several with the future integration of more services for the facilitation of the work of executives who often work away from their desks.

#### IT SYSTEMS SECURITY

In 2015, a series of projects and system installations was completed, aiming at maximum shielding of the security of the Bank's IT system infrastructure and the protection of the Bank's customers.

#### IT SYSTEM AND INFRASTRUCTURE SECURITY CHECKS

In the context of security checks of the IT systems of the Bank and of the subsidiaries in Greece and abroad, a series of periodical and emergency tests was conducted.

Specifically, penetration tests and vulnerability assessments were conducted repeatedly both from the specialised engineers of the Bank and from contracted external associates to the IT applications, Information websites of the Group as well as to various applications, servers and data bases.



## SYSTEMS AND SECURITY PROCEDURES

Given the constantly changing system security and information demands, a reevaluation of existing security systems was made followed by redesign and optimisation of the provided protection level.

Furthermore, for the timely detection and tackling of events and attacks of various categories, 24x7 Security Monitoring and Advance Cyber Threat Management services were activated, where the sum of the critical logs for the system security is sent to the Security Operations Center (SOC) and monitored on a 24x7 basis. The Security department of Piraeus Group is informed immediately for any security event that emerges, so that the proper actions are taken and the strict measures of protection are applied.

## TECHNOLOGICAL AND ORGANISATIONAL SUPPORT OF SUBSIDIARY BANKS ABROAD

The realisation of development, improvement and harmonisation works continued during 2015 in all subsidiary Banks and branches abroad (Piraeus Bank Romania, Piraeus Bank Bulgaria, Tirana Bank, Piraeus Bank Beograd, Piraeus Bank Ukraine, London Branch, Frankfurt Branch). The aim of the projects was the improvement of provided services to the Customer, the reduction of operating cost, the optimisation of work flows and the compliance with current local regulatory and statutory demands.

Special emphasis was placed on the upgrade of the operation and development platform of the Atlas ERP Financial Management System of Subsidiaries in Albania, Bulgaria, Romania and Egypt.

## FUNDS TRANSFER CASH MANAGEMENT

The dense economic developments during 2015, had as a result the especially intense fluctuations in the demand of cash which culminated in the imposition of capital controls, the enforcement of a special bank holiday period and the gradual transition to a new reality that limited significantly the amount of cash citizens and businesses could withdraw.

The imposition of capital controls brought significant malfunctions to the workflow of cash management, for the Branch Network and the off-site ATM/APS of the Bank and at the level of central cash partnerships with big customers. Piraeus Bank given its leading position in the Greek Banking System and its commitment towards its customers for a unique banking experience, set as a goal the full and unhindered satisfaction of its customers needs all over Greece. In the context of the existing capital controls, Piraeus organised, designed and set in operation for their service, 250 special outlets all across the country, for the acceptance of deposits and the payment of liabilities of its customers, which operated under special status until the 6th of July 2015, as well as four Cash Management Centres that aimed to cover the covering of special needs of the Bank's business customers, stand actively by their side as they were addressing unprecedented conditions that emerged from an unfavourable environment.

The controls that were imposed, especially during the initial period of their implementation, from the June 22 up till July 22, 2015 led to actions that under normal conditions would have never been elaborated and applied. Mentioned indicatively:

- Operation and supply of the Cash Management Centres and branches during bank holidays, from the Bank of Greece.
- Coordination, with cash transportation companies for delivery/collection of cash amounts during days and hours that under normal conditions would not accommodate the execution of the transactions, surpassing often the business capabilities of both the Bank and partner cash transportation companies.
- Design and activation of an alternative circuit of branch cash supply and circumvention of the existing automated system, with the goal of better service of customer needs.
- Everyday re-adaptations of the planning and forecasts in order to fully cover the cash needs that were required by the Network and off-site ATMs.

The result of this effort was that cash out phenomena were almost nullified from all active points of cash service (Cash Management Centres, on-site outlets and off-site ATMs and APSs). The period of capital controls and especially the previously mentioned time span, burdened significantly the volumes of the Bank that were related to cash management in the three basic categories of concern: cost of cash transfers, volume of cash inflows from big customers and commissions received.

However, the increase of total expenses for cash transportation of the Network and ATMs of the Bank was restrained at low levels. Major factors that led to this result were the completion of the cost rationalisation project and the implementation of the policy of the cash re-supply of networks, branches and off-site ATMs; actions which were incorporated during the first four months of 2015. Throughout this process, a significant reduction in the nominal values of the transport costs was achieved, which led to the containment of the total cost of cash transportation. More specifically, it is noted that despite the fact that the volume of cash transportations for the period between May 2015 and December 2015 was increased by 26% in relation to the respective period of 2014, the increase of the total cost of the period was limited to just 2.5%. The reorganisation of the operations of Cash Management Centres (CMC) continued during 2015, giving the Bank the ability to utilise investments in infrastructure and equipment in order to manage especially high volumes of cash. Towards this direction Patras CMC was relocated in November 2015 to a new, modern and secure building, with significantly larger capacity, while at the same time the construction of a new CMC began in Heraklion, Crete, which is expected to start operations in 2016.

#### CASH SERVICES

The strategic decision of the Bank for greater penetration in cash management operations, intensified the efforts of cash operation developments, bringing especially positive results, despite the unfavourable economic environment and the imposition of capital controls. The total revenues stemming from traditional cash services presented a 1% increase in relation to 2014 while customer relations were increased by 39%. Specifically the revenues were increased from €912,899 in 2014 to €918,906 in 2015 and the customer relations from 85 in 2014 to 118 in 2015. The reception and acceptance of the specialised 'Bank in Office' service was especially warm and the revenue resulting from it presented an increase of 63% in relation to 2014 and constituted the 26% of total revenue from cash services. The materialisation of an important number of new installations, especially during the last quarter of 2015, set the bases for further reinforcement of the repeated revenue from cash management services for 2016 as well.

#### REMITTANCES MOVEMENT

The imposition of capital controls had a clear impact on the flow of capital, as it affected and in many cases overturned existing practices, procedures, times and costs of transaction execution and finally changed decisively the transactional habits of customers.

Piraeus Bank responded in a timely manner to the new emerging conditions adapting promptly systems and procedures to the constantly amending regulations aiming to facilitate the smooth flow of transactional activity of customers, to the degree allowed by the new regulatory framework.

During the capital controls one can identify three distinct periods for money transfers operations: **1st period (28/6 – 19/7/2015)**, when strictly only domestic remittances were processed through internet/phone banking.

**2nd period (20/7 – 6/8/2015)**, when during the first days limited transactions abroad were executed and only after the relative approvals from the Committee for the Approval of Bank Transactions of the Ministry of Finance. Later on a Subcommittee for the Approval of Bank Transactions of Piraeus Bank was established, which was responsible for the evaluation of ap-

plications for amounts up to €150,000, with simultaneous creation of project teams per type of clientele for the evaluation of applications that were accepted from the Branch Network.

**3rd period (since 7/8 and still in effect)** during which there is a fully automated procedure, as the total of customer applications for approval is listed and transferred via a relative platform, while remittance applications are listed in the payment system which is connected with the platform of applications management. In parallel with the above, the necessary modifications of the payment system have been completed so that all cases that have been exempt from limitations are managed, while in specific cases the listing of remittances abroad is possible through Electronic Banking. What has been achieved is the same-day processing of the total number of remittances that have been approved from the relative committees, a fact that shows the proper planning, the correct interventions in the payments system and the right adaptation of procedures to the new conditions.

The special conditions that were created by the controls on the free flow of cash and the payment obligations that existed resulted in the turn of people and legal entities to remittances and electronic transactions.

The inflow of new customers in the credit transfer services during the second semester of 2015 was especially impressive, reaching 357% in the case of individuals and 142% in the case of Legal Entities compared to the respective semester of 2014, while the number of payments executed through mobile phone or tablet was tripled.

In total the operations of Capital Flow presented an increase of 21% in the number of transactions and 34% in supplies. The automation of payments reached 90% in outbound and 89% in inbound remittances, presenting an increase of 4% compared to 2014, while for another year the Bank won international distinctions for the quality of operations and their level of automation (STP Awards).

#### CENTRALISED SUPPORT OPERATIONS

During 2015, the volumes of transactions continued to present an intense rising trend in the management of confiscations and legalisations of customers, while the merging of customer codes dropped significantly. The implementation of a special three-week bank holiday period and the imposition of capital controls brought the suspension of acts of mandatory processing for four months, which intercepted temporarily the rise of confiscation numbers.

December 2015 saw the completion of the data processing preparations for the integration of the Social Insurance Institute (IKA) in the network of electronic confiscation and the gradual integration of IKA units to the network began.

The full use of the new infrastructure is expected in 2016, along with the minimisation of the use of paper confiscations with significant benefits for the Banks and IKA.

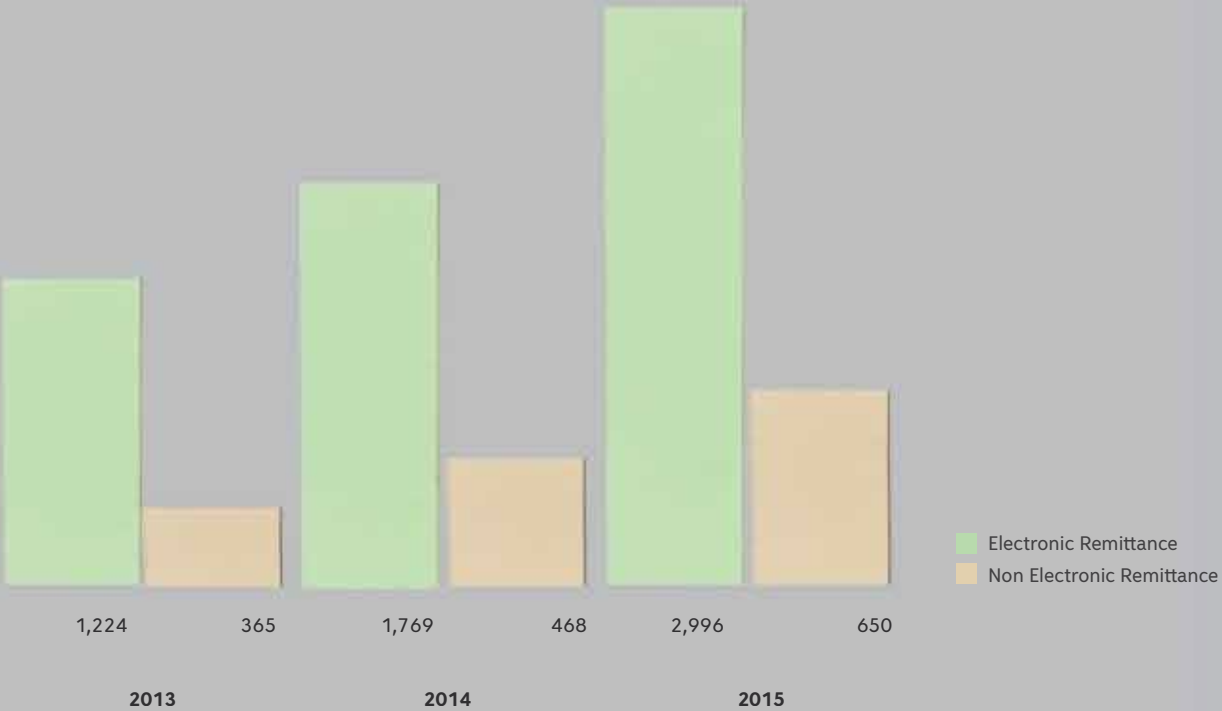
Finally, the effort for constant improvement was continued, with the improved organisation of everyday operations, the improved utilisation of available personnel, the shortening of applications processing and the revision/optimisation of procedures and technological infrastructures.

#### CUSTODY SERVICES

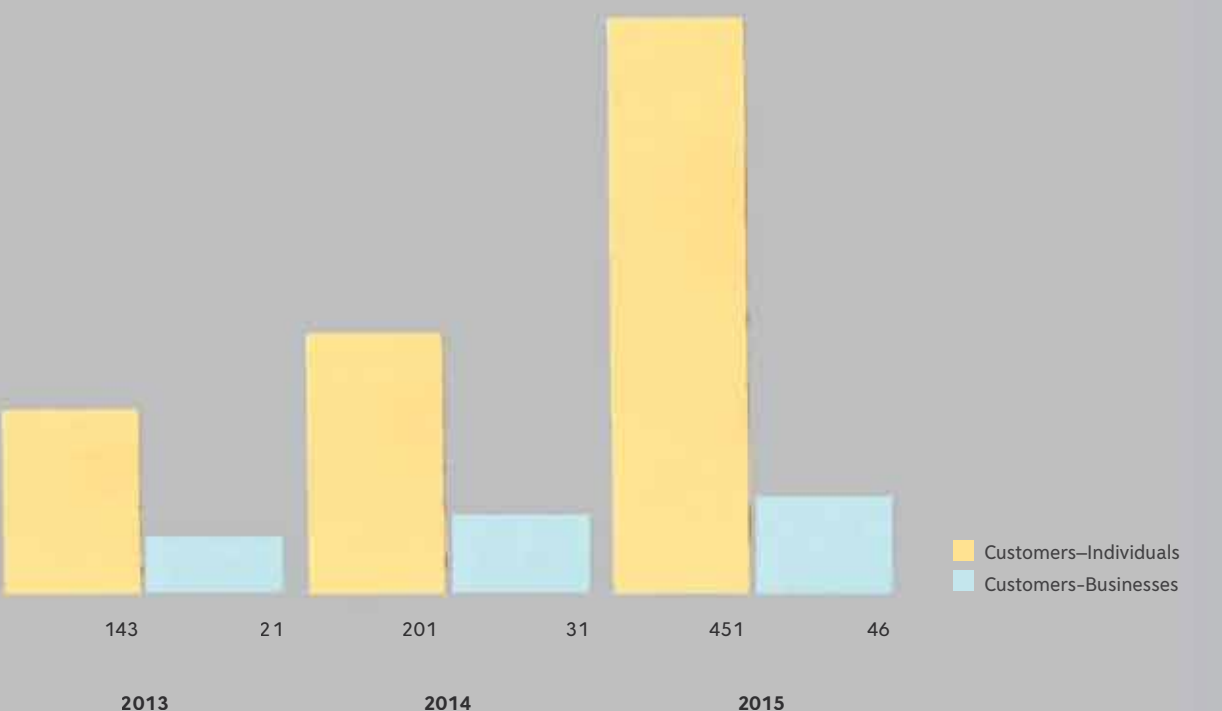
During 2015, Piraeus Bank consolidated its leading position in the provision of post trading activity services between domestic and foreign Custodians. A series of organisational changes, such as the separation of Securities Services from Custody Services and its integration to the pillar of Piraeus Financial Markets (PFM), the reorganisation of Custody Services after the operational unifications that took place in the period 2013-2014 and the adoption of a unified way of thinking and action, contributed to the maintenance of high quality service provision.

The exceptionally difficult conditions of the Greek economy during the last years, led during 2015, to a long bank holiday period and the imposition of capital controls which affected negatively the provision of services of post trading activities. The two month holiday period of the Athens Stock Exchange and the limitations on transactions of investment products and on

Outgoing Remittances-Transactions (thousands)



Outgoing Remittances - Customers (thousands)



the capital flow, created unfavourable conditions both in the development of operations as well as in the preservation of customer relations, removing significant competitive advantages from the domestic Custodians. However, the long standing experience and presence of the Bank in the field, contributed to the taking of initiatives, to the prompt mobilisation for the creation of needed modifications of technological infrastructures and procedures, in order that the effects of capital controls on customers are mitigated.

During the year, Custody Services participated actively in the conduct of the Liability Management Exercise (LME) and the Share Capital Increase, successfully responding to the demands of these important and complex projects for the strengthening of the Bank.

In this context, and for the 13th consecutive year, Piraeus Bank was ranked among the top Custodians of the Greek market in the annual survey for Domestic, Foreign and Internationally Recognised Institutional Investors of the 'Global Custodian' magazine.

### **BACK OFFICE-PIRAEUS FINANCIAL MARKETS**

During 2015, specialised information systems were installed to support the operations of the Unit with the goal to increase productivity, minimise error risk, as well as aid the completion of statutory obligations of the Bank regarding figures and transactions reports.

Important also was the participation of the Unit in the effort of the Bank to adapt to the new conditions that emerged during the second semester of 2015, with the imposition of capital controls. Specifically, it took on the responsibility to support the operations of the Bank's Subcommittee for the Approval of Bank Transactions as well as the information and update of various Units and Branches for the answers of the Committee for the Approval of Bank Transactions of the Ministry to customer applications.

### **ORGANISATIONAL INTERVENTIONS & CENTRAL SUPPORT**

The projects realised by the Organisation Unit during the year that passed: a) supported the strategic planning of the Bank for internal reorganisation and further improvement of the operational systems of the Bank following the mergers of banking institutions of the previous years, and b) responded with speed and effectiveness to the external conditions that prevailed in the general economic environment and especially with the imposition of capital controls to banking transactions.

### **IMPROVEMENTS TO BASIC PROCEDURES AND OPERATIONS**

Special emphasis was given to the detection of malfunctions and problems in the Branch Network, especially in relation to the significant changes that emerged from the successive mergers of former ATEBank, Bank of Cyprus, Laiki Bank, Hellenic Bank, Millenium Bank and Geniki Bank during the previous years.

Thus, for the first quarter of 2015, the Organisation Unit proceeded to the design and implementation of the 'Operational Effectiveness' programme, aiming at the assessment and improvement of the operational function of the Organisation. In this context, the main Branch procedures were mapped and measured, with the aim of detecting the more time consuming of those, and the assessment of the staffing needs of the Branch Network, while areas of improvement were assessed and found in the existing loan procedures of Retail Banking. In addition, key performance indicators (KPIs) were identified at the General Administration level and the existing procedures of preparation and monitoring of the operational expenses budget per General Administrative Unit were assessed.

As a result of the programme, the creation of a framework came next regarding key performance indicators of important procedures, through the application of a Service Level Agreement (SLA) system. This is made up of a production data report mechanism that provides to

the Business Process Owner and to the separate internal Providers, the capability to monitor the performance in relation to time and with agreed upon targets in total or in every stage of the procedure.

A new system of property management (Geobanking) was installed, that provides upgraded operational abilities and is connected with existing systems of the Bank, allowing for the speedier and simpler completion of property appraisal procedures, as well as for the improvement of information and update to the relevant Units of the Administration. In parallel, all mortgaged property from the merged Banks, were integrated to it.

Special weight was given to the redesign of the procedures concerning UCITS (Undertakings for Collective Investment in Transferable Securities) represented by the Bank and the Managers and HPMFs (Hellenic Pension Mutual Fund Management Company SA) represented by Piraeus Asset Management. In this context, the post-transaction update regarding UCITS was coordinated, unified and redesigned, while it was implemented in a new UCITS transaction price list with the introduction of a unified and flexible parametrisation at Bank level and at Piraeus Asset Management level.

In the context of internal operational upgrade, a new ATM management procedure was set and implemented, resulting in the speedier service of depositors and the facilitation of the agreement procedure. In addition, an analytical study was completed, of the existing condition of Control Reports that are used by the Branch Network, based on which, a series of improvements was implemented, that were compatible with the new 'RBU' arrears management model as well as the new model of centralised loan management.

#### AUTOMATION AND IT SUPPORT OF BASIC OPERATIONS

The most innovative automation, based on the exploitation of advance technology, is the e-signature application, with the use of which conventional documents and applications are signed from the Customers electronically and are later archived electronically, with multiple benefits for the Bank (cost reduction, speed etc) and provision of high standards service to the Customer.

Another important automation project was the development on the 'workflow' APPIAN platform, of the interest expression procedure and of the agreement procedure with merchants for the use of POS/ePOS for the acceptance of card transactions. Significant improvements and automated functionalities were integrated in the new application, such as the automatic creation of commercial offer to the interested company, the mechanism of automatic application evaluation, the electronic document circulation (and e-signature capability), the automated commissions collection and the electronic exchange of files with the provider company.

The service of Investment Hubs was redesigned and expanded for the improved service of customers from specialised executives of the Bank. A new user friendly platform of total Customer management was created for the monitoring of orders and definition of a complete procedures system, with the aim of strengthening and developing the service on a secure base. In addition, the full redesign of the workflow of negotiation and processing of transactions over subordinate bonds was completed.

An automated procedure that allows for the assessment, granting and disbursement of loans to small and personal companies within 48 hours was designed and is now supported electronically. In the same context, a new system of Letters of Credit issuance was designed and implemented with cash guarantee within 24 hours. Regarding credit scoring of consumer loans, a system of criteria was developed along with an electronic automation infrastructure of the loan application assessment, resulting in the minimisation of the assessment time and the acceleration of the approval decision.

Finally, aiming to secure the electronic registering of all Bank's documents from and to third parties, a specialised system was set in use, that facilitates the electronic circulation of incoming/outgoing correspondence, limits the circulation of documents in natural form and achieves registering and easy search of document circulation history.

## OPERATIONAL MERGERS

Works that emerged from the operational mergers of previous years were completed. The digitisation of loan documents of merged banks continued so that the documents are directly available in electronic form.

The project of transferring archives from Branches and Central Units to the Warehouses of the Bank was completed and the cooperation with the Piraeus Bank Group Cultural Foundation (PIOP) was continued for the identification of archives of historical value.

## IMPLEMENTATION OF CAPITAL CONTROLS

The imposition of capital controls created the need for immediate changes to the systems and procedures of the Bank.

The Organisation proceeded to the immediate implementation and adaptation of Bank's systems for the integration of controls concerning the operation of Branches under capital controls, with main limitations in cash withdrawals and capital transfer abroad.

The Organisation prepared the necessary remittance approval procedure in the 'workflow' APPIAN Tempo platform, which still continues to be modified according to the changes in the relevant statutory framework, while it participated actively in the development of the standards for the electronic communication of Banks with the Committee for the Approval of Bank Transactions.

At the same time it enriched the internal applications of the Bank (Customer-centric ICE system, Cashier transaction system, cards systems) in order that the infringement of the set limitations is averted. More specifically, a new functionality was developed in order that allowed transaction limits of Customers are presented and monitored, regarding cash withdrawals, dispatch of certain remittances abroad (for educational and other purposes), cash withdrawals with the use of special accounts (schools, shipping companies), utilisation of cash from liquidations and money distributions of foreign financial means, foreign payrolls, immediate EBA clearing debit and limitations in the use of credit cards.

It also supported the reopening of the Athens Stock Exchange under capital controls with the provision of new products and services for the Customers of the Bank and for the Customers of partner third party Securities companies.

It coordinated the development of applications and services for the support of reinvestment capabilities in foreign financial means for the Customers of the Bank and for Customers of partner third party Securities companies.

It participated actively in the Special Subcommittee of the Bank, took steps to receive particularizations in cooperation with the Hellenic Bank Association, the Bank of Greece and the relevant Ministry and supported dynamically the Branch Network with guidance and help desk operation aiming at the faithful application of the new statutory framework and the unhindered service of the Customers under the new conditions.

## RESTRUCTURING OF THE BRANCH NETWORK

In 2015, the rationalisation programme of the unified Bank's Branch Network continued with the goal of achieving economies of scale and of utilising previously owned branches. The Organisation undertook the coordination of operations that were needed for the closure of 94 branches, with the reception of their operations from neighbouring Branches, and the relocation of 27 outlets. It also coordinated the needed works for the start of operations of a new branch and a new mobile outlet. Finally it coordinated the closure procedure of 26 Branches of Panellinia Bank, in the context of the merger.



#### IMPLEMENTATION OF INSTITUTIONAL FRAMEWORK AND SUPPORT OF MODERNISATION OF STATE MECHANISM

The many and important changes of the national and international institutional framework dictated significant works. In the context of compliance with international regulations, the Organisation Unit took measures for the adaptation of procedures and systems for the application of the European Community Regulation 260/2012 and the new XML ISO: 20022 standard, in the systems of payroll, direct debit and payment of third parties. It is noted that in the context of the project, a redesign and total improvement of the unified Direct Debit system was completed. With the target of compliance with the –under modernisation– national legal framework, new products were created, procedures were implemented and infrastructures were set in place to support the adjustments provisioned by L4307 for small and medium companies. Standards were also set for the realisation of infrastructures aiming at the harmonisation with the regulatory framework of grants monitoring from the Bank of Greece (Executive Committee Act 47). The project of the creation of a Bank Accounts and Products Registry for use by the Economic Crimes Enforcement Agency (SDOE) was supervised, with the use of mass demands for automated detection of undisclosed income per taxpayer registration number (AFM) and per use, with the goals of direct collection of lost taxes, avoidance of statute of limitations, abatement to voluntary compliance.

The development of the Bank Accounts and Products Registry was also supervised for usage by the General Secretariat of Public Revenue (GSPR) with use of isolated requests (Phase B), regarding the automated access to movements of popular deposit accounts and time-deposit accounts for specific taxpayer registration number (AFM), specific account and specific time period.

#### NEW PRODUCTS/SERVICES AND PAYMENT TRANSACTIONS

In the context of adapting the product portfolio to the market conditions, special emphasis was placed on products, services and payment transactions through the Bank or through cards and alternative networks. Specifically, the Payment Packages ‘exofLISI’ were developed and are directed to citizens and professionals, and allow the Customer, with the payment of a paid in advance lump sum, to settle all his bills in Energy, Water, Telecoms and Insurance, with no expenses for a year.

In the context of servicing Customers who have been integrated in Contract Farming, various transactions have been introduced for the settling of bills with Public Power Corporation SA (DEH), for the settlement of debts to the Organisation for Agricultural Insurance (OGA) and the Hellenic Agricultural Insurance Organisation (ELGA) and for the issue of labour ticket via the Contract Farming credit card.

The new deposit card ‘Piraeus Deposit Card’ was introduced to be exclusively used for deposits in ATMs, for the servicing of the payments network of the debtors of a company to that company.

#### COOPERATION WITH TRANS ADRIATIC PIPELINE

In the context of cooperation with Trans Adriatic Pipeline (TAP) i.e. the company founded for the design, development and construction of the trans-adriatic natural gas pipeline and has the responsibility of the development and operation of the natural gas transportation infrastructure from the Greek-Turkish borders to Southern Italy, the Organisation undertook the development of payment transactions and procedures.

Through these, the Bank undertakes, by order of TAP, the issuance of Bank Cheques for the payment of compensation to the land owners and land users along the pipeline’s passage, that are affected by the project, as well as the payment of any other outstanding debt of the company.



## LOAN & RESTRUCTURING ADMINISTRATION

In a year with unprecedented challenges, Loan Administration was called upon along with other Units of the Bank, to redefine its operation responding to the demands set by the new framework. The human resources that deal with Large Business Loans, Restructuring, Business Centres and Individuals, played a principal role in the Bank's response to the checks conducted by the ECB about the Asset Quality Review & Risk Weighted Assets and by the Bank of Greece in the context of periodical reviews that are defined from the domestic supervisory authority and from ECB. The successful absorption of the Panellinia Bank by the total of administration units was completed.

In addition the Unit undertook the provision of needed information for the certificate of inheritance procedure, regarding the notification of a loan portfolio of a deceased for all Banks under transition.

## LARGE BUSINESS CREDIT – EXTERNAL TRADE & EU

The External Trade Centres due to the imposition of capital controls changed their way of operation regarding the completion and dispatch of applications to the General Accounting Office (GAO), the management of customer applications for approval by the relevant authorities through the APPIAN electronic platform, the record keeping of transactions approved by the GAO.

- The Centres participated in the project for the provision of information for Letters of Credit and Debits to TIRESIAS.
- The Centres were also involved in procedure projects and more specifically in: a) Management of shipping loans & Mortgagee Interest Insurance (MII)/Mortgagee Additional Perils (Pollution) Insurance (MAPPI) for shipping.
- b) Quality of covers for the Syndicated Loans.
- c) Presentation of pledged shares of non-listed foreign companies.

## RESTRUCTURINGS

The Code of Conduct was implemented for all Units that manage business Loan Restructuring (Corporate, SME, SB), with the goal of more valid and more effective communication with customers that face consequences due to the economic situation, the management and realisation of their relevant applications.

Borrower portfolios were transferred from the Small & Medium Business Loan Management units (SMB) to the SME Loan Restructuring units for the active handling and servicing of NPLs.

## BUSINESS CENTERS LOANS

- Subsidised actions were supported for the clientele of Business Centres, especially through the JEREMIE & IFG programmes.
- Participation in the new procedure regarding the management of Business Insurance Contracts – New Monitoring Functionality of ERGO Renewals.

## SMALL BUSINESS LOANS

- Centralised management of transfer application of borrowers to Permanent Arrears from the whole of Greece to a specialised management team in Athens.
- SB customer limits checks with the goal of the automated position issue. This action aims at the speedier service of the customers through direct updates with minimum interference of SB Management.
- Effective management of SB restructurings during 2015.
- Support of subsidised actions such as Entrepre-

neurship Fund, Island Entrepreneurship and of procedures based on the existing legal framework such as Law 4307.

- A new procedure was set for the central loan

application registering with the goal of relieving the network and the speedier processing of customer applications.

#### FARMER LOANS

- The 'Saving at home' project was completed.
- In the context of the 'Operational Effectiveness' project, the first service level agreement of the Bank was set in force regarding the disbursements of mortgages.
- Involvement in supporting operations to redesign procedures and upgrade systems for the settlement of professionals' loans and especially: a) Start of new settlement measures (TOM). b) Automation of added actions (TOM). c) Creation of a new way to realise settlements in LS, integration of Farmer Mortgages settlements to VELTI.
- Start of loan settlements of Worker's Housing Organisation.
- Management of the new product Loan for Agricultural Support.
- Support of the new automated procedure of the re-evaluation of Working Capital for Farmers (WCF). Start of the management of flexibilities for amortised loans under settlement (overdue loans, Land & Equipment loans, former ATEBank settlements and Medium Term loans), management of flexibilities for the Agricultural Loan Modification, central management of insurance compensations.
- Central management of insurance compensations.

Very small.

Small. Medium.

Just right. Big.

Huge.



# RISK MANAGEMENT

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

The Board of Directors is fully responsible for the development and supervision of the risk management framework. The Risk Management Committee convenes on a monthly basis and/or extraordinarily, shapes the strategy for assumption of risk and capital management according to the Group's business goals, while it assesses the effectiveness of the risk management-policy as well as the capital adequacy in relation to the level and form of assumed risk.

The Assets and Liabilities Management Committee (ALCO ) convenes at least on a monthly basis and analyses market developments (in combination with the level of financial risk assumed by the Bank and its subsidiaries). During 2015 emphasis continued to be placed on liquidity management, with the aim of ensuring its adequacy for the Group, given the extremely adverse conditions that prevailed, especially during summer, in the Greek market.

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

Group Risk Management consists of the following units:

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

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

Since November 2014, the Bank, along with the other Greek systemic banks are supervised by the Single Supervisory Mechanism (SSM), which consists of the European Central Bank (ECB) and the Bank of Greece (BoG). In June 2015, following the imposition of capital controls, SSM conducted the "Comprehensive Assessment" for the Greek systemic banks which included the

review on the quality of assets (Asset Quality Review-AQR) and the Stress Test. In December 2015, following the Comprehensive Assessment, the recapitalisation of the Bank was successfully completed by an amount totaling to €4.6 bn placed by private investors and the Hellenic Financial Stability Fund, thus further strengthening Group's capital adequacy.

### CREDIT RISK MANAGEMENT

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

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

### CREDIT RISK MEASUREMENT AND MONITORING

Reliable credit risk measurement is of top priority within the Group's risk management framework.

Details on measurement and monitoring of loans and credit risk, are presented in the Annual Financial Report of 2015, chapter 3.1.2<sup>3</sup>.

In the framework of Group's alignment with the Bank of Greece Executive Committee Act 42/30.5.14 for the "Supervisory framework for the management of loans in arrears and non-performing loans", in 2015, the EBA ITS (European Banking Authority, Implementing Technical Standards) were applied, relating to forbore loans.

For better measurement and monitoring of the credit risk of loans and receivables, the Credit Risk Unit proceeds annually with regular validation-calibration of the models for assessing risk parameters (Probability of Defaults & Loss Given Default), as well as to the validation of all applied models in the approval process both of retail and business credit.

Regarding the assessment of the behaviour of existing customers (behaviour scoring), both at product and customer levels, all models applied are validated at least every semester. In addition, the credit rating model of TIRESIAS SA is used, which takes into account all adverse and credit exposures that an applicant has in the Greek market, and the use of which has already improved the performance of existing models (which are used in the approval procedure).

It should be noted that Piraeus Bank has intensified the use of behavioural models in the production process. Specifically, models are applied throughout the collection process cycle, resulting in better customer service and lower operating costs. Other ways of monitoring credit risk include: a) portfolio structure review, b) distribution of debtor population, c) monitoring of the evolution of problem loans and d) the evolution of expected and unexpected loan losses. These analyses are further expanded in order to provide more complete and faster updates on the portfolio's development for the direct and effective management of the retail banking portfolio. In the context of updating the way of measurement of expected credit risk, the method employed is similar to a large extent with the one used by the European Central Bank in the framework of AQR Test. On that basis, both the precise measurement and the compliance with international practices are achieved.

<sup>3</sup> [piraeusbankgroup.com/el/investors/financials/financial-statements](http://piraeusbankgroup.com/el/investors/financials/financial-statements)

It is worth noting that Risk Based Pricing models have been developed both in the Business and the Mortgage portfolio, so that credit risk is reflected in pricing. Finally, regarding to the specific methodologies, Credit Risk Management sector contributed to offer the relevant expertise to the subsidiaries abroad.

The table below depicts the evolution of Piraeus Group's Loans in arrears > 90 days ratio.

Piraeus Bank Group	31.12.15	31.12.14
Loans in arrears > 90 days ratio	39%	38%
Greece	39%	39%
International Operations	41%	36%
Greek banking market (average)	36%	34%

#### ASSET QUALITY REVIEW & STRESS TESTS

Piraeus Bank participated in the comprehensive assessment of the four systemic banks which was conducted in the framework of their supervision by the ECB the results of which were made public on the 31st October 2015.

The assessment was conducted by reference to a balance sheet as of 30th June 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 tests under the assumptions of a 'baseline' and an 'adverse' scenario.

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

- **€2,213 mn under the 'baseline' scenario, taking into account the AQR and stress test results,**
- **€4,933 mn under the 'adverse' scenario, taking into account the AQR and stress test results.**

#### CAPITAL ADEQUACY

Piraeus Bank submitted an updated Restructuring Plan, which was approved by the European Commission on the 29th November 2015.

After the completion of the Comprehensive Assessment by the SSM and the ECB, the Bank completed successfully the enhancement of its capital base. The recapitalisation of the Bank was achieved with capital increase of €4.6 bn, and was covered by payment in cash, liabilities' capitalization equivalent to cash payment and contribution in kind in the form of ESM bonds, as well as the issuance of contingent convertibles bonds which were covered exclusively from the HFSF.

As a result the capital adequacy ratios, which are now estimated according to the new regulatory framework of 'CRD IV' (implementation of BASEL III from the European Union), place the Bank among the strongest banks in terms of Common Equity Tier 1 capital (CET 1).

Selected Capital Adequacy Figures	2015
Common Equity Tier 1 Capital (CET 1)	€9.4 bn
Risk Weighted Assets*	€53.9 bn
Capital Adequacy Ratio	17.5%
Common Equity Tier 1 Capital Ratio	17.5%
Leverage Ratio	10.9%

\* Assets on and off balance sheet

During 2015, a new, upgraded group platform was fully operational in order to support the functions of calculating and reporting on capital requirements (Moody's Risk Authority). In parallel, the Group is about to complete the process of the COREP and FINREP reporting through this new platform, according to the requirements of the supervisory framework.

The Bank completed projects for the further enhancement of the policies, procedures and methodology of risk and capital measurement under Pillar II. The methodologies are utilized for the internal capital requirements calculation (ICAAP) and the stress testing related approaches.

In the context of optimisation of the methods of measuring risk and capital use and alignment with best international practices, the Bank completed the design and began the implementation of a programme, with the goal of the transition to Internal Ratings-based Approach (IRB) regarding credit risk. The programme constitutes a transformation project for the Bank and is expected to bring significant benefits to the operation model and management of the credit cycle.

Group Capital Management continues to implement projects regarding optimisation of the methods of, monitoring, calculating and allocating risk as well as for credit risk reduction practices.

It participates in the revision of the risk appetite framework and of the risk appetite limits, as well as in the update of the Group Restructuring and Recovery Plans. It also participates actively in the assessment procedure of new products, examining a series of criteria that aim on one hand at the more precise measurement of risks and the proper reflection of capital demands that accompany granting new credit or products and on the other hand at risk-based pricing. It provides know-how and support to the Business Units as well as to the subsidiary companies of the Group in matters of compliance with the current supervisory and regulatory framework and best capital management practices.

#### MARKET RISK

The Value-at-Risk rate for the Group's Trading Portfolio on December 31 2015 was €3.81 mn. This estimate consists of €2.81 mn Value-at-Risk rate for interest rate risk, €0 mn for equity risk, €2.68 mn for foreign exchange risk and €0 mn for commodities risk. The diversification effect for the total portfolio on 31/12/2015, resulted in a €0.34 mn reduction to the overall trading portfolio Value at Risk. Value-at-Risk rate ranges at low levels and is within the Risk Appetite Framework's limits.

€ mn	Group Trading Book Total VaR	VaR Interest Rate Risk	VaR Equity Risk	VaR Foreign Exchange Risk	VaR Commodity Risk	Diversification effect
2015	3.81	2.81	0.00	2.68	0.00	-1.68
2014	4.15	3.33	0.00	2.64	0.07	-1.88
2013	1.27	0.42	0.01	1.14	0.05	-0.34

Piraeus Bank applies an interest rate risk management policy and adopts risk assessment techniques based on the Interest Rate Gap Analysis.

Interest Rate Gap Analysis allows for the assessment of interest rate risk through the "Earnings-at-Risk" measure, which expresses the negative impact on projected annual interest rate over a specified period caused by a change in interest rates across all maturities and currencies. Moreover, Piraeus Bank measures its interest rate risk, through the anticipated change in the net present value of Assets and Liabilities caused by a change in interest rates by 100 basis points (PV100).

The table below depicts the sensitivity estimates to credit risk, according to the Interest Rate Gap Analysis for total Balance Sheet (Trading and Banking Books).



Amount in thousands	EUR	USD	CHF	Other
PV100 - Effect on Present Value	-10.38	-1.73	-5.17	-4.05
EaR - Effect on Net Interest Revenue	-77.85	-26.16	-20.00	-8.61

## OPERATIONAL RISK

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

Piraeus Bank Group acknowledges its exposure to operational risk and aims towards the implementation and constant development of an effective and integrated operational risk management framework in all its activities. In 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. Moreover, in 2015, the Operational Risk Management Unit of the Group, implemented a series of actions that focused on the enhancement of the framework and the management of the operational risk. Briefly, these actions are:

- **Infrastructure improvement with the selection and installation of operational risk management systems (in progress, expected to be completed within 2016).**
- **Evolution of operational risk mitigation mechanisms (update of Business Continuity Plan and the insurance coverage, bimonthly monitoring of the operational risk level and infrastructure improvement actions).**
- **Improvement of the process related to the collection and management of operational risk losses & incidents.**
- **Utilisation of Internal Audit findings during the risk assessment process (RCSA).**
- **Strengthening of the knowledge/awareness of the branch network executives in the field of risk management (participation in the “School of Branch Executives”).**

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

For more details on Operational Risk Management, please refer to Pillar III 2015 Publications, [www.piraeusbankgroup.com](http://www.piraeusbankgroup.com).

## GROUP RISK COORDINATION

The Group, through Risk Coordination Unit, supervises domestic subsidiaries (Piraeus Factoring, Piraeus Leasing, Piraeus Asset Management, Piraeus Securities) and International banking operations, with main objective the achievement of harmonization of the Risk Management Framework and practices across the Group. In this context, the Group ensures the direct cooperation and exchange of data between the Risk Management Units of the Group, the Bank and the respective Subsidiaries.

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

In this framework, constant communication and support is provided to Subsidiaries, site meetings are held and improvement actions and projects are recommended and monitored on a regular basis. In addition, through the existing structure, it is accomplished coordination of the

Group and Subsidiaries' Risk Management Units, mainly regarding important operations of the Group (Risk and Capital Strategy, Risk Appetite Framework, Risk Based Pricing), aiming at their prompt implementation and the consistency of risk management practices.

#### CORPORATE CREDIT CONTROL

The main responsibility of the Corporate Credit Control Unit is the independent and systematic assessment of the quality of Group's business loan portfolio and of the processes of monitoring practices of the credit risk assumed according to the Credit Policy and Practices of the Group, through sample evaluations.

For this purpose it performs controls on sample of borrowers per business unit and assesses the suitability of credit limits and policy, in relation to the level and form of assumed risk, as well as the effectiveness of the practices and methodology applied, aiming at the effective and qualitative monitoring of the progress of the assumed credit risk at portfolio level.

This assessment is made by utilising the data deriving from the Bank's systems, detailed review of the credit files held in the business units and through meetings with relevant officers. An Assessment Report is composed for each control, whereby the CRO, the Top Management and the Risk Management Committee are informed, while in addition, the Unit monitors regularly the implementation of any corrective action that is deemed necessary.

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





## Selected consolidated balance sheet information (€ thous)

Assets	31.12.2015	31.12.2014
Cash and balances with Central Bank	3,644,821	3,837,541
Loans and advances to credit institutions	179,523	297,109
Reverse repos with customers	641	64,299
Loans and advances to customers (net of provisions)	50,591,193	57,143,022
Debt securities-receivables	16,985,336	14,400,421
Financial instruments at fair value through profit or loss	240,398	299,562
Investment securities	2,739,869	2,560,767
Other assets	11,552,020	10,382,050
Assets from discontinued operations	1,594,414	304,925
<b>Total Assets</b>	<b>87,528,216</b>	<b>89,289,696</b>
<b>Liabilities</b>		
Due to credit institutions	34,490,583	23,592,330
Customer deposits	38,951,880	54,830,834
Debt securities & other borrowed funds	102,314	893,731
Other liabilities	2,478,030	2,146,805
Liabilities from discontinued operations	1,484,883	503,753
<b>Total Liabilities</b>	<b>77,507,690</b>	<b>81,967,454</b>
Shareholders' Equity	9,907,644	7,210,161
Non-controlling interest	112,882	112,081
<b>Total Equity</b>	<b>10,020,526</b>	<b>7,322,242</b>
<b>Total Liabilities and Equity</b>	<b>87,528,216</b>	<b>89,289,696</b>

<b>Selected consolidated P&amp;L information (€ thous)</b>		
	<b>1.1 – 31.12.2015</b>	<b>1.1 – 31.12.2014</b>
Net interest income	1,877,220	1,952,877
Net commission income	305,659	313,893
Dividend income	8,200	13,606
Results from financial instruments at fair value through profit or loss and investment portfolio	109,429	(32,006)
Other operating income	92,599	203,333
<b>Total net income</b>	<b>2,393,107</b>	<b>2,451,704</b>
Staff costs	(771,908)	(736,722)
Administrative expenses	(588,995)	(591,727)
Depreciation and amortisation	(111,778)	(114,541)
<b>Total operating expenses pre provisions</b>	<b>(1,472,681)</b>	<b>(1,442,989)</b>
Results of participation in relative companies	(12,766)	4,696
<b>Profit before provisions, impairment and tax</b>	<b>907,660</b>	<b>1,013,410</b>
<b>Profit before provisions, impairment and tax on a recurring basis</b>	<b>1,119,476</b>	<b>979,132</b>
Provisions and impairment	(3,837,613)	(4,027,642)
<b>Profit/(loss) before tax</b>	<b>(2,929,953)</b>	<b>(3,014,232)</b>
Income tax	1,068,562	1,068,985
<b>Profit/(loss) after tax from continuing operations</b>	<b>(1,861,390)</b>	<b>(1,945,248)</b>
Profit/(loss) after tax from discontinued operations	(34,606)	(26,746)
Non controlling interest	3,148	6,907
<b>Profit/(loss) after tax attributable to shareholders</b>	<b>(1,892,848)</b>	<b>(1,965,087)</b>
<b>Profit/(loss) after tax attributable to shareholders from continuing operations</b>	<b>(1,858,220)</b>	<b>(1,938,349)</b>
<b>Total comprehensive income for the year, net of tax, continuing operations</b>	<b>(1,769,231)</b>	<b>(2,151,127)</b>
<b>Number of employees and branches</b>		
	<b>31.12.2015</b>	<b>31.12.2014</b>
Number of employees	20,719	22,372
Number of employees related to main continuing operations	19,279	21,243
Branches	989	1,175

