

PIRAEUS BANK



## **PIRAEUS BANK S.A.**

### **Interim Condensed Financial Information**

30 September 2015

In accordance with the International  
Financial Reporting Standards

The attached interim condensed financial information has been approved by the Piraeus Bank S.A. Board of Directors on October 31<sup>st</sup>, 2015 and it is available on the web site of Piraeus Bank at [www.piraeusbankgroup.com](http://www.piraeusbankgroup.com)

This financial information has been translated from the original interim financial information that has been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial information, the Greek language financial information will prevail over this document.



## Index to the Interim Condensed Financial Information

| Statements                                                                   | Page |
|------------------------------------------------------------------------------|------|
| Interim Income Statement                                                     | 2    |
| Interim Statement of Total Comprehensive Income                              | 3    |
| Interim Statement of Financial Position                                      | 4    |
| Interim Statement of Changes in Equity                                       | 5    |
| Interim Cash Flow Statement                                                  | 6    |
| <br>                                                                         |      |
| <b>Notes to the Interim Condensed Financial Information:</b>                 |      |
| 1 General information about the Bank                                         | 7    |
| 2 General accounting policies, critical accounting estimates and judgements  | 7    |
| 3 Basis of preparation of the Bank's interim condensed financial information | 11   |
| 4 Fair values of assets and liabilities                                      | 14   |
| 5 Offsetting of financial assets and liabilities                             | 17   |
| 6 Business segments                                                          | 19   |
| 7 Income tax                                                                 | 22   |
| 8 Earnings/ (losses) per share                                               | 24   |
| 9 Analysis of other comprehensive income                                     | 24   |
| 10 Financial assets at fair value through profit or loss                     | 24   |
| 11 Loans and advances to customers                                           | 25   |
| 12 Available for sale securities                                             | 27   |
| 13 Debt securities - receivables                                             | 27   |
| 14 Assets held for sale                                                      | 27   |
| 15 Investments in subsidiaries and associate companies                       | 28   |
| 16 Due to credit institutions                                                | 31   |
| 17 Due to customers                                                          | 32   |
| 18 Debt securities in issue                                                  | 32   |
| 19 Hybrid capital and other borrowed funds                                   | 34   |
| 20 Contingent liabilities and commitments                                    | 34   |
| 21 Share capital                                                             | 36   |
| 22 Other reserves and retained earnings                                      | 37   |
| 23 Related parties transactions                                              | 38   |
| 24 Capital adequacy                                                          | 40   |
| 25 Acquisition of assets and liabilities of former Panellinia Bank S.A.      | 41   |
| 26 Events subsequent to the end of the interim period                        | 41   |

| INTERIM INCOME STATEMENT                                                              | Note | Period from 1 January to |                    | Period from 1 July to |                    |
|---------------------------------------------------------------------------------------|------|--------------------------|--------------------|-----------------------|--------------------|
|                                                                                       |      | 30 September 2015        | 30 September 2014  | 30 September 2015     | 30 September 2014  |
| Interest and similar income                                                           |      | 2,104,445                | 2,246,211          | 689,891               | 737,513            |
| Interest expense and similar charges                                                  |      | (820,529)                | (1,054,910)        | (270,582)             | (333,983)          |
| <b>NET INTEREST INCOME</b>                                                            |      | <b>1,283,916</b>         | <b>1,191,301</b>   | <b>419,308</b>        | <b>403,530</b>     |
| Fee and commission income                                                             |      | 188,845                  | 179,509            | 60,716                | 67,453             |
| Fee and commission expense                                                            |      | (31,827)                 | (17,692)           | (10,743)              | (6,340)            |
| <b>NET FEE AND COMMISSION INCOME</b>                                                  |      | <b>157,019</b>           | <b>161,817</b>     | <b>49,973</b>         | <b>61,113</b>      |
| Dividend income                                                                       |      | 99,048                   | 15,480             | 646                   | 26                 |
| Net income from financial instruments designated at fair value through profit or loss |      | 62,706                   | (43,866)           | 51,363                | (17,219)           |
| Results from investment securities                                                    |      | (3,678)                  | 72,789             | 1,251                 | (3,189)            |
| Other operating income                                                                |      | 82,601                   | 190,471            | 29,544                | 7,447              |
| <b>TOTAL NET INCOME</b>                                                               |      | <b>1,681,613</b>         | <b>1,587,993</b>   | <b>552,085</b>        | <b>451,708</b>     |
| Staff costs                                                                           |      | (410,708)                | (402,327)          | (138,442)             | (130,294)          |
| Administrative expenses                                                               |      | (333,403)                | (338,241)          | (102,673)             | (123,784)          |
| Depreciation and amortisation                                                         |      | (66,798)                 | (89,863)           | (23,418)              | (22,778)           |
| <b>TOTAL OPERATING EXPENSES BEFORE PROVISIONS</b>                                     |      | <b>(810,910)</b>         | <b>(830,430)</b>   | <b>(264,532)</b>      | <b>(276,856)</b>   |
| <b>PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX</b>                            |      | <b>870,703</b>           | <b>757,563</b>     | <b>287,553</b>        | <b>174,852</b>     |
| Impairment losses on loans                                                            | 11   | (2,004,469)              | (3,205,357)        | (191,041)             | (2,177,911)        |
| Impairment losses on other receivables                                                |      | (56,447)                 | (53,139)           | (10,383)              | (9,757)            |
| Other provisions and impairment                                                       |      | (1,903)                  | (143,210)          | (100)                 | (5,558)            |
| <b>PROFIT/ (LOSS) BEFORE INCOME TAX</b>                                               |      | <b>(1,192,117)</b>       | <b>(2,644,143)</b> | <b>86,029</b>         | <b>(2,018,373)</b> |
| Income tax                                                                            | 7    | 795,264                  | 820,997            | 449,572               | 467,009            |
| <b>PROFIT/ (LOSS) AFTER TAX</b>                                                       |      | <b>(396,853)</b>         | <b>(1,823,146)</b> | <b>535,601</b>        | <b>(1,551,364)</b> |
| <b>Earnings/ (losses) per share (in €):</b>                                           |      |                          |                    |                       |                    |
| - Basic and Diluted                                                                   | 8    | (0.0650)                 | (0.3161)           | 0.0878                | (0.2542)           |

| INTERIM STATEMENT OF TOTAL<br>COMPREHENSIVE INCOME           | Note  | Period from 1 January to |                      | Period from 1 July to |                      |
|--------------------------------------------------------------|-------|--------------------------|----------------------|-----------------------|----------------------|
|                                                              |       | 30 September<br>2015     | 30 September<br>2014 | 30 September<br>2015  | 30 September<br>2014 |
| Profit/ (loss) after tax for the period (A)                  |       | (396,853)                | (1,823,146)          | 535,601               | (1,551,364)          |
| Other comprehensive income, net of tax:                      |       |                          |                      |                       |                      |
| Amounts that can be reclassified in the Income Statement     |       |                          |                      |                       |                      |
| Change in available for sale reserve                         | 9, 22 | 16,243                   | (88,954)             | 94,603                | (45,778)             |
| Amounts that can not be reclassified in the Income Statement |       |                          |                      |                       |                      |
| Change in reserve of defined benefit obligations             | 9, 22 | 8,350                    | 32                   | -                     | 32                   |
| Other comprehensive income, net of tax (B)                   |       | 24,592                   | (88,922)             | 94,603                | (45,746)             |
| Total comprehensive income, net of tax (A)+(B)               |       | (372,261)                | (1,912,069)          | 630,203               | (1,597,110)          |

| INTERIM STATEMENT OF FINANCIAL POSITION               | Note | 30 September 2015 | 31 December 2014  |
|-------------------------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                                         |      |                   |                   |
| Cash and balances with Central Bank                   |      | 2,147,583         | 2,864,234         |
| Loans and advances to credit institutions             |      | 815,425           | 932,793           |
| Financial assets at fair value through profit or loss | 10   | 91,116            | 110,173           |
| Derivative financial instruments - assets             |      | 454,971           | 506,941           |
| Reverse repos with customers                          |      | 769               | 63,632            |
| Loans and advances to customers (net of provisions)   | 11   | 50,008,414        | 53,987,068        |
| Available for sale securities                         | 12   | 2,453,918         | 2,059,917         |
| Debt securities - receivables                         | 13   | 14,279,142        | 14,273,935        |
| Assets held for sale                                  | 14   | 118,850           | 10,307            |
| Inventories property                                  |      | 510,108           | 523,883           |
| Investment property                                   |      | 313,247           | 321,636           |
| Investments in subsidiaries                           |      | 1,803,633         | 1,691,120         |
| Investments in associated undertakings                |      | 266,537           | 279,154           |
| Property, plant and equipment                         |      | 877,135           | 838,804           |
| Intangible assets                                     |      | 255,505           | 238,448           |
| Deferred tax assets                                   | 7    | 4,750,622         | 3,950,983         |
| Other assets                                          |      | 2,184,626         | 1,950,071         |
| <b>TOTAL ASSETS</b>                                   |      | <b>81,331,600</b> | <b>84,603,099</b> |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| Due to credit institutions                            | 16   | 36,301,739        | 24,566,067        |
| Due to customers                                      | 17   | 35,355,999        | 50,240,344        |
| Liabilities at fair value through profit or loss      |      | -                 | 1,853             |
| Derivative financial instruments - liabilities        |      | 450,818           | 538,260           |
| Debt securities in issue                              | 18   | 478,909           | 661,341           |
| Current income tax liabilities                        |      | 817               | 9,007             |
| Retirement benefit obligations                        |      | 198,395           | 192,198           |
| Other provisions                                      |      | 29,165            | 27,665            |
| Other liabilities                                     |      | 1,273,763         | 747,116           |
| Hybrid capital and other borrowed funds               | 19   | 227,388           | 232,381           |
| <b>TOTAL LIABILITIES</b>                              |      | <b>74,316,993</b> | <b>77,216,232</b> |
| <b>EQUITY</b>                                         |      |                   |                   |
| Share capital                                         | 21   | 1,830,594         | 1,830,594         |
| Share premium                                         | 21   | 11,393,315        | 11,393,315        |
| Other reserves                                        | 22   | 17,143            | (7,449)           |
| Retained earnings                                     | 22   | (6,226,446)       | (5,829,593)       |
| <b>TOTAL EQUITY</b>                                   |      | <b>7,014,606</b>  | <b>7,386,867</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   |      | <b>81,331,600</b> | <b>84,603,099</b> |

| INTERIM STATEMENT OF CHANGES IN EQUITY                               | Note  | Share Capital    | Share Premium     | Other | reserves         | Retained earnings  | TOTAL              |
|----------------------------------------------------------------------|-------|------------------|-------------------|-------|------------------|--------------------|--------------------|
| <b>Opening balance as at 1 January 2014</b>                          |       | <b>2,271,770</b> | <b>10,008,734</b> |       | <b>183,732</b>   | <b>(4,195,148)</b> | <b>8,269,089</b>   |
| Other comprehensive income, net of tax                               | 9     |                  |                   |       | (88,922)         |                    | (88,922)           |
| Results after tax for the period 1/1/2014 - 30/9/2014                | 22    |                  |                   |       |                  | (1,823,146)        | (1,823,146)        |
| <b>Total recognized income for the period 1/1/2014 - 30/9/2014</b>   |       | <b>0</b>         | <b>0</b>          |       | <b>(88,922)</b>  | <b>(1,823,146)</b> | <b>(1,912,069)</b> |
| Increase of share capital                                            |       | 308,824          | 1,384,581         |       |                  |                    | 1,693,404          |
| Repurchase of preferred shares                                       |       | (750,000)        |                   |       |                  |                    | (750,000)          |
| Absorption of company                                                | 22    |                  |                   |       |                  | (3,603)            | (3,603)            |
| <b>Balance as at 30 September 2014</b>                               |       | <b>1,830,594</b> | <b>11,393,315</b> |       | <b>94,810</b>    | <b>(6,021,897)</b> | <b>7,296,821</b>   |
| <b>Opening balance as at 1 October 2014</b>                          |       | <b>1,830,594</b> | <b>11,393,315</b> |       | <b>94,810</b>    | <b>(6,021,897)</b> | <b>7,296,821</b>   |
| Other comprehensive income, net of tax                               |       |                  |                   |       | (102,259)        |                    | (102,259)          |
| Results after tax for the period 1/10/2014 - 31/12/2014              | 22    |                  |                   |       |                  | (242,054)          | (242,054)          |
| <b>Total recognized income for the period 1/10/2014 - 31/12/2014</b> |       | <b>0</b>         | <b>0</b>          |       | <b>(102,259)</b> | <b>(242,054)</b>   | <b>(344,312)</b>   |
| Absorption of companies                                              | 22    |                  |                   |       |                  | 434,358            | 434,358            |
| <b>Balance as at 31 December 2014</b>                                |       | <b>1,830,594</b> | <b>11,393,315</b> |       | <b>(7,449)</b>   | <b>(5,829,593)</b> | <b>7,386,867</b>   |
| <b>Opening balance as at 1 January 2015</b>                          |       | <b>1,830,594</b> | <b>11,393,315</b> |       | <b>(7,449)</b>   | <b>(5,829,593)</b> | <b>7,386,867</b>   |
| Other comprehensive income, net of tax                               | 9, 22 |                  |                   |       | 24,592           |                    | 24,592             |
| Results after tax for the period 1/1/2015 - 30/9/2015                | 22    |                  |                   |       |                  | (396,853)          | (396,853)          |
| <b>Total recognized income for the period 1/1/2015 - 30/9/2015</b>   |       | <b>0</b>         | <b>0</b>          |       | <b>24,592</b>    | <b>(396,853)</b>   | <b>(372,261)</b>   |
| <b>Balance as at 30 September 2015</b>                               |       | <b>1,830,594</b> | <b>11,393,315</b> |       | <b>17,144</b>    | <b>(6,226,446)</b> | <b>7,014,606</b>   |

| INTERIM CASH FLOW STATEMENT                                                                               | Period from 1 January to |                   |
|-----------------------------------------------------------------------------------------------------------|--------------------------|-------------------|
|                                                                                                           | 30 September 2015        | 30 September 2014 |
| <i>Cash flows from operating activities</i>                                                               |                          |                   |
| Profit / (loss) before tax                                                                                | (1,192,117)              | (2,644,143)       |
| Adjustments to profit/ loss before tax:                                                                   |                          |                   |
| Add: provisions and impairment                                                                            | 2,062,820                | 3,401,706         |
| Add: depreciation and amortisation charge                                                                 | 66,798                   | 89,863            |
| Add: retirement benefits                                                                                  | 10,656                   | 10,557            |
| (Gains) losses from valuation of financial instruments at fair value through profit or loss               | (57,687)                 | (127,545)         |
| (Gains) losses from investing activities                                                                  | (95,981)                 | (83,303)          |
| <i>Cash flows from operating activities before changes in operating assets and liabilities</i>            | 794,489                  | 647,134           |
| <i>Changes in operating assets and liabilities:</i>                                                       |                          |                   |
| Net (increase)/ decrease in cash and balances with Central Bank                                           | (171,243)                | (115,840)         |
| Net (increase)/ decrease in financial instruments at fair value through profit or loss                    | 40,450                   | (47,949)          |
| Net (increase)/ decrease in loans and advances to credit Institutions                                     | 24,185                   | 64,901            |
| Net (increase)/ decrease in loans and advances to customers                                               | 1,452,385                | 2,898,888         |
| Net (increase)/ decrease in debt securities - receivables                                                 | (5,208)                  | 1,250,421         |
| Net (increase)/ decrease in reverse repos with customers                                                  | 62,863                   | (197,684)         |
| Net (increase)/ decrease in other assets                                                                  | (71)                     | (241,038)         |
| Net increase/ (decrease) in amounts due to credit institutions                                            | 11,646,366               | (5,571,362)       |
| Net increase/ (decrease) in liabilities at fair value through profit or loss                              | (1,853)                  | (549)             |
| Net increase/ (decrease) in amounts due to customers                                                      | (15,388,634)             | 47,392            |
| Net increase/ (decrease) in other liabilities                                                             | 1,300,844                | 349,079           |
| <i>Net cash flow from operating activities before income tax payment</i>                                  | (245,426)                | (916,606)         |
| Income tax paid                                                                                           | -                        | (616)             |
| <b>Net cash inflow/ (outflow) from operating activities</b>                                               | <b>(245,426)</b>         | <b>(917,222)</b>  |
| <i>Cash flows from investing activities</i>                                                               |                          |                   |
| Purchases of property, plant and equipment                                                                | (75,630)                 | (72,834)          |
| Sales of property, plant and equipment                                                                    | 10,532                   | 30,570            |
| Purchases of intangible assets                                                                            | (37,654)                 | (16,612)          |
| Purchases of investment securities                                                                        | (6,319,302)              | (4,378,835)       |
| Disposals/ maturity of investment securities                                                              | 5,947,757                | 4,306,533         |
| Acquisition of subsidiaries and participation in share capital increases                                  | (117,462)                | (45,552)          |
| Sales of subsidiaries                                                                                     | -                        | 2,136             |
| Acquisition of associates and participation in share capital increases                                    | (57,833)                 | (311)             |
| Sales of associates                                                                                       | 32,570                   | -                 |
| Dividends receipts from available for sale securities                                                     | 6,548                    | 9,994             |
| Dividends receipts from subsidiaries                                                                      | 40,495                   | -                 |
| Dividends receipts from associates                                                                        | -                        | 1,694             |
| <b>Net cash inflow/ (outflow) from investing activities</b>                                               | <b>(569,979)</b>         | <b>(163,216)</b>  |
| <i>Cash flows from financing activities</i>                                                               |                          |                   |
| Net proceeds from issue/ (repayment) of debt securities and other borrowed funds                          | (190,981)                | 404,839           |
| Increase of share capital                                                                                 | -                        | 1,673,519         |
| Repurchase of preferred shares                                                                            | -                        | (750,000)         |
| <b>Net cash inflow/ (outflow) from financing activities</b>                                               | <b>(190,981)</b>         | <b>1,328,358</b>  |
| Effect of exchange rate changes on cash and cash equivalents                                              | 22,018                   | 33,359            |
| <b>Net increase/ (decrease) in cash and cash equivalents of the period (A)</b>                            | <b>(984,367)</b>         | <b>281,280</b>    |
| <b>Cash and cash equivalents at the beginning of the period (B)</b>                                       | <b>1,926,139</b>         | <b>1,040,989</b>  |
| <b>Cash and cash equivalents from absorption of company (C)</b>                                           | <b>-</b>                 | <b>43</b>         |
| <b>Cash and cash equivalents at the acquisition date of assets and liabilities of Panellinia Bank (D)</b> | <b>3,291</b>             | <b>-</b>          |
| <b>Cash and cash equivalents at the end of the period (A)+(B)+(C)+(D)</b>                                 | <b>945,063</b>           | <b>1,322,312</b>  |



## 1 General Information about the Bank

Piraeus Bank S.A. is a banking institute operating in accordance with the provisions of Laws 2190/1920 on sociétés anonymes, 4261/2014 on credit institutions, and other relevant laws. According to article 2 of its Statute, the scope of the company is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks.

Piraeus Bank is incorporated and domiciled in Greece. The address of the registered office is 4 Amerikis st., Athens. Piraeus Bank operates in Greece and in London (U.K.). The Bank employs in total 14,371 people.

Apart from the ATHEX Composite Index, Piraeus Bank's share is a constituent of other indices as well, such as FTSE/ATHEX (Large Cap, Banks), FTSE (Greece, RAFI, Med 100), MSCI (Emerging Markets, EM EMEA, Greece), Euro Stoxx (TMI, TMI Banks, All Europe TM, Greece TM) and S&P (Global BMI, Developed BMI, Greece BMI), Dow Jones Sustainability Index (Emerging Markets).

## 2 General accounting policies, critical accounting estimates and judgements

### a. General accounting policies

The same accounting principles and calculation methods have been used as in the annual financial statements as of 31<sup>st</sup> December 2014.

The following interpretation and the improvements in IFRSs have been issued by the IASB, have been endorsed by the European Union and they are effective from 1/1/2015.

- **IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2015).** The interpretation sets out the accounting treatment for an obligation to pay a levy imposed by government that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is described in the relevant legislation that triggers the payment of the levy. This amendment does not have a significant influence in interim condensed financial information for the period 1/1-30/9/2015.

#### Improvements to IFRSs 2011 - 2013 (December 2013)

- **IFRS 3 (Amendment), "Business Combinations" (effective for annual periods beginning on or after 1 January 2015).** The amendment clarifies that joint arrangements as well as joint ventures are outside the scope of IFRS 3.
- **IFRS 13 (Amendment), "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2015).** The amendment clarifies that the exception in IFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39.
- **IAS 40 (Amendment), "Investment Property" (effective for annual periods beginning on or after 1 January 2015).** The amendment refers to the interaction of IFRS 3 and IAS 40 with respect to the classification of an asset as investment property, clarifying that the two standards are not mutually exclusive.

These improvements do not significantly affect the interim condensed financial information for the period 1/1-30/9/2015.

## **b. Critical accounting estimates and judgments in the application of the accounting policies**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The most important areas where the Bank uses accounting estimates and judgements, in applying the Bank's accounting policies, are as follows:

### **b.1. Impairment losses on loans and other receivables**

The Bank examines, at every reporting period, whether trigger for impairment exists for its loans or loan portfolios. If such triggers exist, the recoverable amount of the loan portfolio is calculated and the relevant provision for this impairment is raised. The provision is recorded in the income statement. The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual losses.

### **b.2. Fair value of derivative financial instruments**

The fair value of derivative financial instruments that are traded over the counter (OTC), with banking or corporate counterparties, is determined by using commonly accepted valuation models. These valuation models use observable data. Where this is not possible, estimates and assumptions are required by Management concerning the parameters that affect the fair value of derivatives. These assumptions and estimates are assessed regularly and when market conditions change significantly.

The fair value for derivative financial instruments includes adjustments for the credit risk in a bilateral derivative transaction (CVA/DVA). The calculation of credit adjustments take into account the future expected credit exposure, which is estimated using simulation techniques for the derivatives' future fair values, in combination with the currently in force netting agreements and collateral held (as per the ISDA-CSA contracts in force).

In addition, the calculation of credit adjustments is also based on loss given default (LGD) rates as well probability of default (PD) curves, as these are derived from the purchase prices of the Credit Default Swap Market. In case that the aforementioned prices are not available from the CDS market, or the available market prices are not reliable due to very low liquidity, the relevant calculation is based on proxy credit curves and LGD rates, approved by the Bank's management.

Fair value models are applied consistently from one accounting period to the other, ensuring comparability and consistency of information over time.

### **b.3. Impairment of available for sale portfolio and associate companies**

#### **Available for sale portfolio**

The available for sale portfolio is recorded at fair value and any changes in fair value are recorded in the available for sale reserve. Impairment of available for sale investments in shares and bonds is accounted for when the decline in the fair value below cost is significant or prolonged in the case of shares or there are reasonable grounds for the issuer's inability to meet its future obligations in the case of bonds. Then, the available for sale reserve is recycled to the income statement.

Significant or prolonged decline of the fair value is defined as: (a) the decline in fair value below the cost of the investment for more than 40% or (b) the twelve month period decline in fair value for more than 25% of acquisition cost.

Judgement is required for the estimation of the fair value of investments that are not traded in an active market. For these investments, the fair value computation through financial models takes also into account evidence of deterioration in the financial performance of the investee, as well as industry and sector economical performance and changes in technology.

#### **Associate companies**

The Bank tests for impairment the investments in associate companies, comparing the recoverable amount of the investment (the higher of the value in use and the fair value less cost to sell) with its carrying amount.

In these cases, a similar methodology is used with that described above, for the shares of the available for sale portfolio, while taking into account the present value of the estimated future cash flows expected to be generated by the associate company. The amount of the permanent impairment of the investment, which may arise from the assessment, is recorded to the income statement.

#### **b.4. Investment property**

Investment property is measured at fair value, which is determined in cooperation with valuers.

Fair value is based on active market prices or is adjusted, if necessary, for any difference in the nature, location and condition of the specific investment property. If this information is not available, valuation methods are used. The fair value of investment property reflects rental income from current leases as well as assumptions about future rentals, taking into consideration current market conditions.

For investment property of a value that is not considered as individually significant, the fair value may be determined by applying the aforementioned valuation methods or by extrapolating the results of the valuations, to groups of investment property, with similar characteristics.

#### **b.5. Defined benefits obligation**

The determination of the present value of defined benefits obligation is based on actuarial analysis conducted by independent actuaries at the end of each year. The basic estimates and assumptions made in the context of the actuarial analysis are the discount rate, the pay increase rate as well as the inflation rate. The determination of the appropriate discount rate takes into account the rates of high quality corporate bonds, of the same currency and of similar maturities to that of the defined benefits obligation.

#### **b.6. Provisions and contingent liabilities**

The Bank recognises provisions when there is a present legal or constructive obligation which has been caused by events that took place in the past, and it is almost certain that an outflow of resources which can be measured reliably would be required for its settlement. On the contrary, in case that the probability for settling the obligation through an outflow of resources is remote or

the amount of the outflow cannot be measured reliably, no provision is recognized but the relevant event is disclosed in the financial statements.

At each reporting date, the Bank proceeds to significant estimates and assumptions concerning the assessment of the probability for the settlement of the obligation, the ability to estimate reliably the amount of the outflow required for the settlement of the aforementioned obligation as well as the timing of such settlement.

Specifically, for the material cases where the settlement of the obligation is estimated to take place at a significantly later time as compared to the reporting date, so that the effect from the time value of money is material, the relevant provision is calculated as the present value of the outflows that are expected to be required for the settlement of the obligations. The estimation of the discount rate takes into account the current market conditions for the time value of money, as well as the risks associated with the obligation. Furthermore, the discount rate used does not take into account any taxes.

Furthermore, in case of pending litigations, the Bank has adopted an analytical assessment at each reporting date, by taking into consideration the best estimates of the Legal Division of the Bank or even independent legal advisors where the amount under assessment is material.

#### **b.7. Recoverability of Deferred Tax Assets**

The Bank recognizes deferred tax on temporary tax differences in accordance with the regulations of tax law which distinguishes revenues on those subject to tax and non-taxable, assessing future benefits as well as tax liabilities.

For the calculation and evaluation of the deferred tax asset recoverability, management considers the best estimates for the evolution of the Bank's tax results in the foreseeable future.

The Management's estimates for the future tax results of the Bank, taking into account the Restructuring Plan approved as of 23 July 2014, by the European Commission (Directorate-General for Competition), are based on the assumptions related to the Greek economy prospect, as well as on other actions or amendments already implemented, improving the evolution of the future profitability.

Moreover, the Bank examines the nature of the temporary differences and tax losses, as well as the ability for their recovery, in accordance with the tax regulations related to their offsetting with profits generated in future periods (e.g. five years), or with other specific tax regulations, as for example the regulations set by the Greek tax legislation which allow the optional conversion of deferred tax assets on specific temporary differences, into final and settled claims against the Greek Government, under certain terms and conditions.

#### **b.8. Goodwill/negative goodwill**

The acquisition method is used by the Bank to account for the acquisitions. The Bank, for the estimation of the fair values of identifiable assets and liabilities and contingent liabilities of the newly acquired operations, uses the method of purchase price allocation (PPA), according to the requirements of IFRS 3 "Business Combination". For this purpose, the Bank uses estimates to determine the fair value of the acquired net assets.

In case of goodwill, the Bank proceeds to impairment test annually and whenever there is an indication of impairment, by comparing the carrying amount of the cash generating unit, including goodwill, with the respective recoverable amount. In the context of this procedure, the Bank's estimates for the determination of the recoverable amount include key assumptions of the Management for the period of the estimated cash flows, the cash flows, the growth rate and the discount rate. These estimates are disclosed in the financial statements, in case that the amount of goodwill allocated to each cash generating unit is significant compared to the total goodwill, according to IAS 36. Reference to goodwill is made in note 25 of the interim condensed financial information.

#### **b.9. Greek public sector**

Piraeus Bank's management makes significant estimates and assumptions regarding the progress of the Greek economy. The economic situation in Greece creates uncertainties that may affect the creditworthiness of the Greek public sector. Reference to the Management's estimates concerning the economic developments is made in note 3.

### **3 Basis of preparation of the Bank's interim condensed financial information**

#### **Basis of preparation**

The interim condensed financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and it should be read along with the Bank's annual financial statements for the year ended 31 December 2014.

Piraeus Bank prepares, except for the attached interim condensed financial information, consolidated interim condensed financial information including the financial information of the Bank and its subsidiaries.

The financial statements of Piraeus Bank are prepared in euro. The amounts of the attached financial statements are expressed in thousand euros (unless otherwise stated) and roundings are performed in the nearest thousand. It shall be noted that, the figures of the income statement for the period 1/1-30/9/2015 are not comparable with the corresponding figures for the period 1/1-30/9/2014 as Piraeus Bank incorporated Geniki Bank S.A. on 21/11/2014.

#### **Going concern basis**

The interim condensed financial information has been prepared on a going concern basis, even though there are significant uncertainties until the completion of the recapitalization of the Greek banking system, which may cause significant doubt about the Bank's ability to continue its business activity. Piraeus Bank's Management estimates that the Bank will continue in operational existence for the foreseeable future:

#### **Macroeconomic environment**

The volatile macroeconomic and financial environment in Greece, in combination with the political developments, remains the main risk factor for the Greek banking sector. The intensified political and economic uncertainty in the 1<sup>st</sup> half 2015 peaked on June 28, 2015 with the imposition of capital controls and bank holiday in the country. Capital controls include, among others, a weekly limit on all cash withdrawals (€ 420) per customer and restrictions on capital transfers and payments abroad, affecting mainly dealings with foreign suppliers and creditors. The bank holiday lasted for 3 weeks, with the banks reopening on 20 July

2015 and capital control measures began gradually to relax. Capital controls, although harsh in nature, are expected to have rather limited and short-term negative effects in the economy due to the following factors:

- a) Significant increase of banknotes in circulation in the Greek economy, that took place in the period end November 2014 to end June 2015.
- b) Ability to conduct electronic transactions without restrictions through alternative channels and networks within the country, which was given from the first moment of the imposition of capital controls, reducing significantly the impact for the transacting parties and the economy.
- c) The majority of companies (especially the larger ones trading internationally) were prepared for the possibility of capital controls and, as a consequence, their operation was not disrupted as much as it was initially expected.
- d) Limited impact on tourism. The initial concerns about a significant impact on tourism have not materialised as revenues from tourism and tourist arrivals for the period July-August 2015 increased by 5.5% YoY and 3.6% YoY respectively. The developments show that Greece will have a record year in the tourist arrivals and the relevant revenues in 2015.

On 8 July 2015, Greece made an official request for stability support – in the form of a loan facility – to the European Stability Mechanism (ESM) to be used for meeting debt obligations and to ensure stability of its financial system. A separate request for financial assistance was sent to the IMF on 23 July 2015. The Greek authorities passed a set of legislation on 15<sup>th</sup> and 22<sup>nd</sup> July 2015, as well as on 14<sup>th</sup> August 2015. On 19<sup>th</sup> of August 2015, the European Commission signed a Memorandum of Understanding (MoU) with Greece following approval by the ESM Board of Governors for further stability support accompanied by a third economic adjustment program. Moreover, the Greek authorities signed a Financial Assistance Facility Agreement with the ESM to specify the financial terms of the loan. The total amount of the loans from the ESM is up to € 86 billion. (Duration: August 2015 – August 2018). The disbursement of funds is linked to progress in delivery of policy conditions, in accordance with the MoU.

A first disbursement of funds under the program in the amount of € 13 billion was made available on 20 August 2015 to allow the Greek state to cover financing needs, make overdue payments, as well as repay a short-term bridge loan of € 7.16 billion that was disbursed under the European Financial Stabilisation Mechanism on 20 July 2015. Moreover on 20<sup>th</sup> of August 2015, an additional amount of € 10 billion was made available immediately in a segregated account at the ESM for potential bank recapitalization and resolution costs.

The aforementioned uncertainties concerning the course of the Greek economy, which may have a negative impact on the capital adequacy and the liquidity of the banking sector, are mitigated by the fact that a new € 86 billion economic adjustment program is in place for the country, securing its financing needs for the next 3 years. Furthermore, the new program passed with great majority in the parliament (c.74%), thus enhancing substantially the probability of its swift implementation. Piraeus Bank's management closely monitors the developments and assesses periodically the impact that any negative developments in these areas might have in its operations.

#### Capital adequacy

According to the Eurogroup statement on the ESM program for Greece on August 14, 2015, the total € 86 billion envelope includes a buffer of up to € 25 billion for the banking sector, in order to address potential bank recapitalization needs and resolution costs. The first sub-tranche of € 10 billion was made available in a segregated account at the ESM, as part of the € 23 billion instalment of the program paid on 20<sup>th</sup> of August 2015. The MoU required a Comprehensive Assessment ("CA" i.e. Asset Quality Review and Stress Tests) which was carried out by ECB/ SSM to quantify possible capital shortfalls, which were included

in the above mentioned buffer, after the legal framework is applied (i.e. transposition of the Bank Recovery and Resolution Directive).

In this context, on the 23rd of July 2015, the "Bank Recovery and Resolution Directive" (BRRD) of the European Union (2014/59/EU) was incorporated in the Greek Law (Law 4335/2015). This law was enacted in light of the negotiations for a new financial support program with the participation of the European Stability Mechanism. The BRRD constitutes part of the Single Rulebook applied in the market of financial services of the European Union and establishes a uniform framework for the recovery of financial institutions through bail-in. The articles of Law 4335/2015 regarding the bail-in exercise of depositors will become enforceable on the 1st of January 2016.

The announcement of the outcome of the CA by the relevant European regulatory authorities (ECB/ SSM), was made on 31st October 2015. However, there is uncertainty regarding the structure of the recapitalization, which might affect the Bank's current shareholding structure and its liabilities to the bondholders, as well as the ability to cover the amount of the recapitalisation. Reference concerning the outcome of the CA is made in note 26 of the interim condensed financial information.

#### Liquidity

During the first nine months of 2015, the Greek banking system had to raise liquidity from the emergency liquidity assistance (ELA) mechanism to cover the short term financing needs resulting from a) the decision of the ECB to suspend acceptance of securities issued or guaranteed by the Greek government for Main Refinancing Operations, b) the minimized access to international repo markets as well as c) the significant reduction of domestic deposits due to the prevailing uncertainty.

From December 2014 until August 2015, domestic market deposits (private and public sector) reduced by € 44 billion, amounting to € 129 billion. The exposure of all Greek banks in the Eurosystem increased from € 45 billion at the end of November 2014 (no contribution from the Emergency Liquidity Assistance existed) to € 121 billion at the end of September 2015, of which about € 82 billion was covered by the Emergency Liquidity Assistance (ELA). The provision of liquidity support by the ELA is granted to adequately capitalized credit institutions that have acceptable assets as collateral, and is assessed on a regular basis by the ECB. Following the banks reopening on 20 July 2015, given the capital control measures, customer deposits present stabilization with a slightly growing trend, while Eurosystem funding was reduced to € 121 billion at end of September 2015, as compared to € 125 billion on 31<sup>st</sup> July, 2015.

On September 30, 2015, the Bank returned Pillar III special bonds (L.3273/2008) to the Greek State of a total nominal value of € 2.24 billion maturing on April 22, 2016. These special bonds were given to the Bank against the concession to the State of credit claims as a collateral, under a lending agreement between the two counterparties. As a result, the pledge of loans with nominal value of approximately € 3 billion was lifted, thus becoming available collaterals for raising liquidity through the ELA mechanism.

Piraeus Bank's management, after taking into account the introduction of the new economic adjustment program, as well as the liquidity provided by the Eurosystem to the Greek banking system, expects to be able to cover its short-term financing needs.

#### 4 Fair values of assets and liabilities

##### a) Assets and liabilities not measured at fair value

The following table summarises the fair values and the carrying amounts of those assets and liabilities not presented in the Bank's balance sheet at fair value.

| Assets                                              | Carrying value    |                  | Fair value        |                  |
|-----------------------------------------------------|-------------------|------------------|-------------------|------------------|
|                                                     | 30 September 2015 | 31 December 2014 | 30 September 2015 | 31 December 2014 |
| Loans and advances to credit institutions           | 815,425           | 932,793          | 815,425           | 932,793          |
| Loans and advances to customers (net of provisions) | 50,008,414        | 53,987,068       | 48,479,629        | 53,230,068       |
| Debt securities - receivables                       | 14,279,142        | 14,273,935       | 14,614,508        | 14,641,345       |
| Reverse repos with customers                        | 769               | 63,632           | 769               | 63,632           |

  

| Liabilities                             | Carrying value    |                  | Fair value        |                  |
|-----------------------------------------|-------------------|------------------|-------------------|------------------|
|                                         | 30 September 2015 | 31 December 2014 | 30 September 2015 | 31 December 2014 |
| Due to credit institutions              | 36,301,739        | 24,566,067       | 36,301,739        | 24,566,067       |
| Due to customers                        | 35,355,999        | 50,240,344       | 35,355,999        | 50,240,344       |
| Debt securities in issue                | 478,909           | 661,341          | 231,581           | 532,140          |
| Hybrid capital and other borrowed funds | 227,388           | 232,381          | 30,489            | 197,327          |

The fair values as at 30/9/2015 of loans and advances to credit institutions, reverse repos with customers, due to credit institutions and due to customers which are measured at amortized cost, are not materially different from the respective carrying values since they are very short term in duration and priced at current market rates. These rates are often repriced and due to their short duration they are discounted with the risk free rate.

The fair value of loans and advances to customers has been calculated using a discounted cash flow model, taking into account yield curves and any adjustments for credit risk.

Fair value for debt securities – receivables is estimated using quoted market prices. Where this information is not available, fair value has been estimated using the prices of securities with similar credit, maturity and yield characteristics, or by discounting cash flows.

The fair value of debt securities in issue is calculated based on quoted prices. Where quoted market prices are not available, the estimated fair value is based on other debt securities with similar credit, yield and maturity characteristics or by discounting cash flows.

The fair value of hybrid capital and other borrowed funds is based on quoted market prices. When quoted market prices are not reliable, the fair value is estimated by discounting cash flows with appropriate yield curves.

##### b) Assets and liabilities measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The Bank considers relevant and observable market prices in its valuations where possible. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

###### Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed shares and bonds on exchanges as well as exchange traded derivatives like futures.



### Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes OTC derivatives and bonds. Input parameters are based on yield curves or data from reliable sources (Bloomberg, Reuters).

### Level 3

The valuation of assets and liabilities is carried out by introducing variables that are not based on observable market data. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 includes shares categorized in the available for sale portfolio and derivative financial instruments. Shares and derivative financial instruments within level 3 are not traded in an active market or there are no available prices from external traders in order to determine their fair value.

### Shares categorized in the available for sale portfolio

The valuation is carried out with variables that are not based on observable market data (unobservable inputs). For the determination of the fair value of the aforementioned shares, the Bank uses generally accepted valuation models and techniques such as: discounted cash flow models, estimation of options, comparable transactions, estimation of the fair value of assets (i.e. fixed assets) and net asset value. The Bank, based on prior experience, adjusts if necessary, the relevant values in order to reflect the current market conditions. The fair value of the shares in level 3 is only taken into account in case that there is evidence of impairment, else these shares are recorded at cost.

### Derivative financial instruments

The embedded derivative of the convertible bond issued by Marfin Investment Group ("MIG"), is included in level 3 of derivative financial assets. The aforementioned derivative is accounted at fair value. The fair value of the embedded derivative is determined according to valuation techniques following basic parameters a) the relevant share price, b) the volatility of the relevant share price, c) the interest rates and d) the credit spreads.

The following table presents financial assets and liabilities measured at fair value, categorized in the three levels mentioned above:

| Assets & Liabilities measured at fair value           | Level 1   | Level 2 | Level 3 | Total            |
|-------------------------------------------------------|-----------|---------|---------|------------------|
| <b>Assets</b>                                         |           |         |         |                  |
| Derivative financial instruments - assets             | -         | 447,775 | 7,195   | <b>454,971</b>   |
| Financial Assets at fair value through profit or loss |           |         |         |                  |
| - Trading Bonds                                       | 91,116    | -       | -       | <b>91,116</b>    |
| Available for Sale Securities                         |           |         |         |                  |
| - Bonds                                               | 378,412   | 692     | -       | <b>379,104</b>   |
| - Treasury bills                                      | 1,772,598 | -       | -       | <b>1,772,598</b> |
| - Shares & Other variable income securities           | 134,629   | -       | 167,588 | <b>302,217</b>   |
| <b>Liabilities</b>                                    |           |         |         |                  |
| Derivative financial instruments - liabilities        | -         | 450,818 | -       | <b>450,818</b>   |

The Bank examines transfers between fair value hierarchy levels at the end of each reporting period.

For assets and liabilities valued at fair value on 30/9/2015, no transfer from level 1 to level 2 and vice versa occurred in the period 1/1-30/9/2015.

The following table presents the movement of derivative financial instruments-assets and shares of the available for sale portfolio within level 3:

| Reconciliation of level 3 items                | Derivative financial instruments - assets | Available for sale shares & other variable income securities |
|------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|
| Opening Balance 1/1/2015                       | 18,488                                    | 166,553                                                      |
| Balance of Panellinia Bank at acquisition date | -                                         | 347                                                          |
| Purchases                                      | -                                         | 107                                                          |
| Settlements                                    | -                                         | (16)                                                         |
| Profit/ (loss) for the period                  | (11,293)                                  | -                                                            |
| Foreign exchange differences                   | -                                         | 597                                                          |
| <b>Total 30/9/2015</b>                         | <b>7,195</b>                              | <b>167,588</b>                                               |

The following table presents the sensitivity analysis of level 3 available for sale securities and derivative financial instruments-assets:

| Sensitivity analysis of level 3 hierarchy: (amounts in €million) | Favourable changes | Unfavourable changes |
|------------------------------------------------------------------|--------------------|----------------------|
| <b>Income Statement</b>                                          |                    |                      |
| Available for sale shares & other variable income securities     | -                  | (27)                 |
| Derivative financial instruments - assets                        | 7                  | (7)                  |
| <b>Equity</b>                                                    |                    |                      |
| Available for sale shares & other variable income securities     | 19                 | (4)                  |

The estimation of the change in the value of the shares of available-for-sale portfolio within level 3 has been approached by various methods, such as:

- the net asset value (NAV),
- the discounted future dividends taking into account estimates of the issuer and the relevant cost of capital,
- the closing prices of similar listed shares or the indices of similar listed companies,
- the adjusted equity position taking into account the fair value of the assets (i.e. tangible assets) and the relevant qualifications from the certified auditors' report.

Also, factors that may adjust these values such as the industry and the business environment in which companies operate, current developments and prospects, have been taken into account, while the Bank based on prior experience, adjusts further where necessary, these values so as to assess the possible changes.

## 5 Offsetting of financial assets and liabilities

According to the provisions of IFRS 7, the impact or the possible impact of enforceable master netting agreements for financial instruments to the statement of financial position of the Bank should be disclosed. More specifically, the disclosures should include the following:

- i. The financial assets and liabilities, which are offset in accordance with the criteria of IAS 32 and the net amount that is presented in the statement of financial position of the Bank, when there is a legally enforceable right and the intention to settle the net amounts or simultaneously collect the receivable and settle the obligation.
- ii. The transactions which appertain to International Swaps and Derivatives Association (ISDA) contracts and similar master netting agreements irrespectively of whether these are offset or not in the statement of financial position.

The Bank has not offset any financial assets or liabilities on 30/9/2015 and 31/12/2014, given that the netting criteria mentioned in the first case (i) are not fulfilled.

The following tables, present the recognized on 30/9/2015 and 31/12/2014 financial instruments, for which ISDA and similar master netting agreements (case (ii)) exist, as well as the net effect on the statement of financial position of the Bank from the exercise of netting rights ("net amount"). These tables include mainly the following financial instruments: a) interest rate swap contracts (IRs) and cross currency interest rate swap contracts, for which there are ISDA contracts and b) interbank repos covered by Global Master Repurchase Agreement (GMRA).

| 30/09/2015                       |                                                    |                                        |                                | Related amounts not offset in the Statement of Financial Position |                          |                |
|----------------------------------|----------------------------------------------------|----------------------------------------|--------------------------------|-------------------------------------------------------------------|--------------------------|----------------|
|                                  | Recognized financial assets (amounts to be offset) | Financial liabilities (amounts offset) | Net amount of financial assets | Financial instruments collateral received                         | Cash collateral received | Net amount     |
| <b>Financial Assets</b>          |                                                    |                                        |                                |                                                                   |                          |                |
| Derivative financial instruments | 447,743                                            | -                                      | 447,743                        | -                                                                 | -                        | 447,743        |
| <b>Total</b>                     | <b>447,743</b>                                     | <b>0</b>                               | <b>447,743</b>                 | <b>0</b>                                                          | <b>0</b>                 | <b>447,743</b> |

  

| 30/09/2015                       |                                                         |                                   |                                     | Related amounts not offset in the Statement of Financial Position |                         |                |
|----------------------------------|---------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------------------------------------|-------------------------|----------------|
|                                  | Recognized financial liabilities (amounts to be offset) | Financial assets (amounts offset) | Net amount of financial liabilities | Financial instruments collateral pledged                          | Cash collateral pledged | Net amount     |
| <b>Financial Liabilities</b>     |                                                         |                                   |                                     |                                                                   |                         |                |
| Derivative financial instruments | 437,243                                                 | -                                 | 437,243                             | -                                                                 | 437,243                 | -              |
| Repurchase agreements            | 384,417                                                 | -                                 | 384,417                             | -                                                                 | -                       | 384,417        |
| <b>Total</b>                     | <b>821,661</b>                                          | <b>0</b>                          | <b>821,661</b>                      | <b>0</b>                                                          | <b>437,243</b>          | <b>384,417</b> |

  

| 31/12/2014                       |                                                    |                                        |                                | Related amounts not offset in the Statement of Financial Position |                          |                |
|----------------------------------|----------------------------------------------------|----------------------------------------|--------------------------------|-------------------------------------------------------------------|--------------------------|----------------|
|                                  | Recognized financial assets (amounts to be offset) | Financial liabilities (amounts offset) | Net amount of financial assets | Financial instruments collateral received                         | Cash collateral received | Net amount     |
| <b>Financial Assets</b>          |                                                    |                                        |                                |                                                                   |                          |                |
| Derivative financial instruments | 487,790                                            | -                                      | 487,790                        | -                                                                 | -                        | 487,790        |
| <b>Total</b>                     | <b>487,790</b>                                     | <b>0</b>                               | <b>487,790</b>                 | <b>0</b>                                                          | <b>0</b>                 | <b>487,790</b> |

  

| 31/12/2014                       |                                                         |                                   |                                     | Related amounts not offset in the Statement of Financial Position |                         |                  |
|----------------------------------|---------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------------------------------------|-------------------------|------------------|
|                                  | Recognized financial liabilities (amounts to be offset) | Financial assets (amounts offset) | Net amount of financial liabilities | Financial instruments collateral pledged                          | Cash collateral pledged | Net amount       |
| <b>Financial Liabilities</b>     |                                                         |                                   |                                     |                                                                   |                         |                  |
| Derivative financial instruments | 538,173                                                 | -                                 | 538,173                             | -                                                                 | 538,173                 | -                |
| Repurchase agreements            | 8,919,209                                               | -                                 | 8,919,209                           | -                                                                 | 1,660                   | 8,917,549        |
| <b>Total</b>                     | <b>9,457,382</b>                                        | <b>0</b>                          | <b>9,457,382</b>                    | <b>0</b>                                                          | <b>539,833</b>          | <b>8,917,549</b> |

## 6 Business segments

Piraeus Bank has defined the following business segments:

**Retail Banking** - This segment includes the retail banking operations of the Bank, which are addressed to retail customers, as well as to small - medium companies (deposits, loans, working capital, imports – exports, letters of guarantees, etc.).

**Corporate Banking** - This segment includes facilities related to corporate banking addressed to large and maritime companies, which due to their specific needs are serviced by the headquarters (deposits, loans, syndicated loans, project financing, working capital, imports – exports, letters of guarantees etc.).

**Investment Banking** - This segment includes activities related to investment banking operations of the Bank (investment and advisory services, underwriting services and public listings, stock exchange services, etc.).

**Asset Management and Treasury** – This segment includes asset management facilities for clients and for the Bank (wealth management facilities, mutual funds management, treasury).

**Other Segments** – Other segments include other facilities of the Bank that are not included in the above segments (Bank's administration, etc.).

According to IFRS 8, the identification of the business segments results from the internal reports that are regularly reviewed by the Executive Board in order to monitor each segment's performance. Significant elements are the evolution of figures and results per segment.

An analysis of income and other financial figures per business segment of the Bank is presented below:

| 1/1 - 30/9/2015                                             | Retail Banking   | Corporate Banking | Investment Banking | Asset Management & Treasury | Other business segments | Total              |
|-------------------------------------------------------------|------------------|-------------------|--------------------|-----------------------------|-------------------------|--------------------|
| Net interest income                                         | 968,533          | 460,142           | 1                  | 96,350                      | (241,110)               | 1,283,916          |
| Net fee and commission income                               | 128,317          | 23,061            | 134                | 3,789                       | 1,717                   | 157,019            |
| Other income                                                | 6,210            | 906               | 1                  | 63,542                      | 170,020                 | 240,678            |
| <b>Net income</b>                                           | <b>1,103,060</b> | <b>484,110</b>    | <b>136</b>         | <b>163,680</b>              | <b>(69,373)</b>         | <b>1,681,613</b>   |
| Depreciation and amortisation                               | (20,200)         | (76)              | (5)                | (1,990)                     | (44,527)                | (66,798)           |
| Other operating expenses                                    | (646,545)        | (52,561)          | (2,190)            | (42,815)                    | -                       | (744,112)          |
| <b>Results before provisions, impairment and income tax</b> | <b>436,315</b>   | <b>431,473</b>    | <b>(2,060)</b>     | <b>118,875</b>              | <b>(113,901)</b>        | <b>870,703</b>     |
| Impairment losses on loans                                  | (1,306,949)      | (697,521)         | -                  | -                           | -                       | (2,004,469)        |
| Impairment losses on other receivables                      | -                | -                 | -                  | -                           | (56,447)                | (56,447)           |
| Other provisions and impairment                             | (1,396)          | (508)             | -                  | -                           | -                       | (1,903)            |
| <b>Results before tax</b>                                   | <b>(872,029)</b> | <b>(266,555)</b>  | <b>(2,060)</b>     | <b>118,875</b>              | <b>(170,348)</b>        | <b>(1,192,117)</b> |
| Income tax                                                  |                  |                   |                    |                             |                         | 795,264            |
| <b>Results after tax</b>                                    |                  |                   |                    |                             |                         | <b>(396,853)</b>   |
| <b>As at 30 September 2015</b>                              |                  |                   |                    |                             |                         |                    |
| Total assets                                                | 37,532,111       | 13,303,003        | 49                 | 19,567,434                  | 10,929,002              | 81,331,600         |
| Total liabilities                                           | 33,708,961       | 1,009,151         | 34                 | 37,574,888                  | 2,023,958               | 74,316,993         |
| Capital expenditure                                         | 25,985           | 300               | 206                | 1,053                       | 85,740                  | 113,284            |

| 1/1 - 30/9/2014                                             | Retail Banking     | Corporate Banking | Investment Banking | Asset Management & Treasury | Other business segments | Total              |
|-------------------------------------------------------------|--------------------|-------------------|--------------------|-----------------------------|-------------------------|--------------------|
| Net interest income                                         | 764,096            | 486,929           | -                  | 79,784                      | (139,508)               | 1,191,301          |
| Net fee and commission income                               | 120,988            | 33,856            | 883                | 4,412                       | 1,679                   | 161,817            |
| Other income                                                | 5,994              | 185,150           | (11)               | (50,606)                    | 94,348                  | 234,874            |
| <b>Net income</b>                                           | <b>891,078</b>     | <b>705,934</b>    | <b>872</b>         | <b>33,590</b>               | <b>(43,481)</b>         | <b>1,587,993</b>   |
| Depreciation and amortisation                               | (45,877)           | (56)              | -                  | (354)                       | (43,576)                | (89,862)           |
| Other operating expenses                                    | (651,352)          | (48,671)          | (1,530)            | (39,015)                    | -                       | (740,568)          |
| <b>Results before provisions, impairment and income tax</b> | <b>193,849</b>     | <b>657,208</b>    | <b>(657)</b>       | <b>(5,779)</b>              | <b>(87,057)</b>         | <b>757,563</b>     |
| Impairment losses on loans                                  | (2,661,183)        | (544,174)         | -                  | -                           | -                       | (3,205,357)        |
| Impairment losses on other receivables                      | -                  | -                 | -                  | -                           | (53,139)                | (53,139)           |
| Other provisions and impairment                             | (1,070)            | (389)             | -                  | -                           | (141,752)               | (143,210)          |
| <b>Results before tax</b>                                   | <b>(2,468,403)</b> | <b>112,645</b>    | <b>(657)</b>       | <b>(5,779)</b>              | <b>(281,948)</b>        | <b>(2,644,143)</b> |
| Income tax                                                  |                    |                   |                    |                             |                         | 820,997            |
| <b>Results after tax</b>                                    |                    |                   |                    |                             |                         | <b>(1,823,146)</b> |
| <b>As at 31 December 2014</b>                               |                    |                   |                    |                             |                         |                    |
| Total assets                                                | 41,089,096         | 13,904,497        | 22                 | 19,879,050                  | 9,730,434               | 84,603,099         |
| Total liabilities                                           | 46,463,251         | 1,842,336         | 257                | 27,039,817                  | 1,870,571               | 77,216,233         |
| <b>As at 30 September 2014</b>                              |                    |                   |                    |                             |                         |                    |
| Capital expenditure                                         | 33,851             | 630               | 97                 | 6,328                       | 48,541                  | 89,447             |

In the tables above, interest income is analyzed into business segments net of interest expense, as the Bank's management relies primarily on net interest revenue to assess the performance of the segment.

Capital expenditure includes additions of intangible and tangible assets that took place in the period by each business segment.

Assets of business segments «Retail Banking» and «Corporate Banking» include the following loans, which are managed by the Bank's special Unit named "Recovery Business Unit "(RBU) that was established during 2014.

| 30/9/2015    | Balance before allowances and adjustments | Accumulated allowances and adjustments | Balance net of allowances and adjustments |
|--------------|-------------------------------------------|----------------------------------------|-------------------------------------------|
| Corporate    | 18,971,356                                | (9,146,101)                            | 9,825,255                                 |
| Mortgages    | 4,868,102                                 | (1,309,567)                            | 3,558,535                                 |
| Consumer     | 3,430,993                                 | (2,306,508)                            | 1,124,485                                 |
| <b>Total</b> | <b>27,270,451</b>                         | <b>(12,762,175)</b>                    | <b>14,508,275</b>                         |

| 31/12/2014   | Balance before allowances and adjustments | Accumulated allowances and adjustments | Balance net of allowances and adjustments |
|--------------|-------------------------------------------|----------------------------------------|-------------------------------------------|
| Corporate    | 17,516,163                                | (8,380,185)                            | 9,135,978                                 |
| Mortgages    | 4,585,295                                 | (1,030,602)                            | 3,554,693                                 |
| Consumer     | 3,373,641                                 | (2,131,069)                            | 1,242,572                                 |
| <b>Total</b> | <b>25,475,099</b>                         | <b>(11,541,856)</b>                    | <b>13,933,243</b>                         |

Total liabilities include deposits of customers of the unit "Recovery Business Unit" (RBU) of amount € 452,242 thousand (31/12/2014: € 430,828 thousand).

## 7 Income tax

|                                | 1/1-30/9/2015  | 1/1-30/9/2014  |
|--------------------------------|----------------|----------------|
| Current tax                    | (112)          | (9,066)        |
| Deferred tax                   | 795,376        | 832,896        |
| Provisions for tax differences | -              | (2,833)        |
| <b>Total</b>                   | <b>795,264</b> | <b>820,997</b> |

In accordance with the provisions of the enacted Greek Tax Law (L.4172/2013), as amended by Law 4334/2015 (Gazette A'80/16-07-2015) and being in effect today, the income tax rate for legal entities increased from 26% to 29% from the tax year 2015 and thereon. Withholding tax for dividends distribution which will be approved from 1/1/2014 and thereon is set at 10%. The above change of the tax rate had a positive effect on the current period results (taxes) of approximately € 0.5 billion on the 3<sup>rd</sup> quarter of 2015, equally increasing the amount of deferred tax, recognized in financial statements.



The income tax revenue for the period from 1/1 - 30/9/2015 amounting to € 795 million, was mainly affected from the recalculation of the deferred tax assets, by applying the new (increased) tax rate from the 3rd quarter of 2015 for the Bank and its Greek subsidiaries, as mentioned above, from the deferred tax relating to the amounts recognized for tax purposes of this period, as well as to the additional provisions for loan impairments recorded to the financial statements according to the International Financial Reporting Standards, in relation to the respective amounts recognized for tax purposes.

The Bank has recognized deferred tax based on the best estimations of the Management, as regards the Bank's tax results in the foreseeable future.

Piraeus Bank has been audited by the tax authorities and all the unaudited fiscal years until 2010 have been finalized.

For the fiscal years 2011 until 2013 the tax audit for the Bank and all Greek Societe Anonyme Companies conducted by the same statutory auditor that issues the audit opinion on the statutory financial statements, who must issue a "Tax Compliance Report". This report is submitted to the Ministry of Finance, which has subsequently the right to implement tax audits to a sample of companies within a period of eighteen months, from the date when the "Tax Compliance Report" is submitted to the Ministry of Finance.

For fiscal years 2014 onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must additionally obtain an "Annual Tax Certificate" as provided by article 65A of Law 4174/2013. The Tax Administration retains its right to proceed with a tax audit, within the applicable statute of limitations in accordance with article 36 of Law 4174/2013.

In accordance with the article 82 par.5 of Law 2238/94, the tax audit of the Bank, conducted by PricewaterhouseCoopers S.A. for the fiscal years of 2011 and 2012, has been completed and a non qualified Tax Compliance Report has been issued. For tax audit purposes the above mentioned fiscal years have been finalized.

The tax audit for the fiscal year 2013 has been completed and a relevant "Tax Compliance Report" has been issued and submitted to the Ministry of Finance. For the fiscal year 2013, Piraeus Bank has received a Tax Compliance report with an emphasis of matters on the applicable provisions of Greek Tax Law regarding the acquisition of assets and liabilities of Greek branches of credit institutions domiciled in other countries members of the European Union, according to which the above mentioned transactions are not subject to tax.

For the fiscal year 2014, the tax audit of the Bank conducted by PricewaterhouseCoopers S.A. has been completed and a non qualified Tax Compliance Report has been issued.

The Extraordinary General Meeting of the Bank's Shareholders, on December 19<sup>th</sup> 2014, approved the Bank's opting into the special regime enacted by article 27A of the Law 4172/2013, regarding the voluntary conversion of deferred tax assets arising from temporary differences into final and settled claims against the Greek State and authorized the Board of Directors of the Bank in any case to proceed with all actions required for the implementation of the above mentioned Law provisions. The draft legislation, submitted to the Greek Parliament on October 30<sup>th</sup> 2015, sets the rules regarding the deferred tax assets of financial institutions, which fall under the clauses of article 27A of law 4172/2013 and can be converted into final and settled claims against the Greek State. Reference is made in note 26 of the interim financial information.

As at 30/09/2015, deferred tax assets of the Bank meeting the provisions of Law, rise up to € 4.1 billion, of which € 1.4 billion regards the remaining unamortized amount of debit difference from the participation on the Private Sector Involvement program PSI and € 2.7 billion regards on the differences on International Financial Reporting Standards accumulated provisions for loan impairments, and tax provisions respectively.

## 8 Earnings/ (losses) per share

Basic earnings/ (losses) per share is calculated by dividing the profit/ (loss) after tax attributable to ordinary shareholders for the period by the weighted average number of ordinary shares in issue during the period. There is no potential dilution on basic earnings/ (losses) per share.

| Basic and diluted earnings/ (losses) per share        | 1/1-30/9/2015 | 1/1-30/9/2014 | 1/7-30/9/2015 | 1/7-30/9/2014 |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|
| Profit/ (loss) attributable to ordinary shareholders  | (396,853)     | (1,823,146)   | 535,601       | (1,551,364)   |
| Weighted average number of ordinary shares in issue   | 6,101,979,715 | 5,768,334,201 | 6,101,979,715 | 6,101,979,715 |
| Basic and diluted earnings/ (losses) per share (in €) | (0.0650)      | (0.3161)      | 0.0878        | (0.2542)      |

## 9 Analysis of other comprehensive income

| 1/1 - 30/9/2015                                                     | Before-Tax amount | Tax          | Net-of-Tax amount |
|---------------------------------------------------------------------|-------------------|--------------|-------------------|
| <b>Amounts that can be reclassified in the Income Statement</b>     |                   |              |                   |
| Change in available for sale reserve (note 22)                      | 20,332            | (4,090)      | 16,243            |
| <b>Amounts that can not be reclassified in the Income Statement</b> |                   |              |                   |
| Change in reserve of defined benefit obligations                    | -                 | 8,350        | 8,350             |
| <b>Other comprehensive income</b>                                   | <b>20,332</b>     | <b>4,260</b> | <b>24,592</b>     |

| 1/1 - 30/9/2014                                                     | Before-Tax amount | Tax           | Net-of-Tax amount |
|---------------------------------------------------------------------|-------------------|---------------|-------------------|
| <b>Amounts that can be reclassified in the Income Statement</b>     |                   |               |                   |
| Change in available for sale reserve                                | (120,209)         | 31,254        | (88,954)          |
| <b>Amounts that can not be reclassified in the Income Statement</b> |                   |               |                   |
| Change in reserve of defined benefit obligations                    | 32                | -             | 32                |
| <b>Other comprehensive income</b>                                   | <b>(120,176)</b>  | <b>31,254</b> | <b>(88,922)</b>   |

## 10 Financial assets at fair value through profit or loss

|                                                                    | 30 September 2015 | 31 December 2014 |
|--------------------------------------------------------------------|-------------------|------------------|
| Greek government bonds                                             | 91,116            | 110,151          |
| Corporate entities bonds                                           | -                 | 23               |
| <b>Total financial assets at fair value through profit or loss</b> | <b>91,116</b>     | <b>110,173</b>   |

11 Loans and advances to customers

|                                                                             | 30 September<br>2015 | 31 December<br>2014 |
|-----------------------------------------------------------------------------|----------------------|---------------------|
| Mortgages                                                                   | 16,122,563           | 16,493,547          |
| Consumer/ personal and other loans                                          | 3,707,399            | 3,865,998           |
| Credit cards                                                                | 1,006,984            | 1,065,755           |
| <b>Loans to individuals</b>                                                 | <b>20,836,946</b>    | <b>21,425,300</b>   |
| <b>Loans to corporate entities and Public sector</b>                        | <b>36,605,140</b>    | <b>39,310,855</b>   |
| <b>Total loans and advances to customers (before allowances for losses)</b> | <b>57,442,086</b>    | <b>60,736,155</b>   |
| Less: Allowance for impairment on loans and advances to customers           | (7,433,673)          | (6,749,087)         |
| <b>Total loans and advances to customers (net of provisions)</b>            | <b>50,008,414</b>    | <b>53,987,068</b>   |

It is noted that the allowance for impairment of loans of the Group of former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank) Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A., at their acquisition date by Piraeus Bank, has decreased the gross balance of loans in the table above, as under IFRS 3 it has been included in the adjustment of loans to fair value during the cost allocation process. However, for purposes of credit risk monitoring in accordance with IFRS 7, the aforementioned adjustment is part of the provision.

Movement in allowance (impairment) for loans and advances to customers

|                                                               | Mortgages        | Consumer/<br>personal and<br>other retail<br>loans | Credit<br>Cards | Total Loans to<br>individuals | Loans to<br>corporate entities<br>and Public sector | Total            |
|---------------------------------------------------------------|------------------|----------------------------------------------------|-----------------|-------------------------------|-----------------------------------------------------|------------------|
| <b>Opening balance at 1/1/2014</b>                            | <b>277,721</b>   | <b>624,842</b>                                     | <b>242,219</b>  | <b>1,144,782</b>              | <b>3,373,376</b>                                    | <b>4,518,158</b> |
| Charge for the period                                         | 451,313          | 162,525                                            | 56,532          | 670,369                       | 2,534,987                                           | 3,205,357        |
| Loans written-off                                             | (429)            | (62,811)                                           | (24,297)        | (87,537)                      | (143,827)                                           | (231,364)        |
| Foreign exchange differences and other movements              | (640)            | 513                                                | (426)           | (553)                         | (89,864)                                            | (90,417)         |
| <b>Balance at 30/9/2014</b>                                   | <b>727,966</b>   | <b>725,068</b>                                     | <b>274,028</b>  | <b>1,727,062</b>              | <b>5,674,672</b>                                    | <b>7,401,734</b> |
| <b>Opening balance at 1/10/2014</b>                           | <b>727,966</b>   | <b>725,068</b>                                     | <b>274,028</b>  | <b>1,727,062</b>              | <b>5,674,672</b>                                    | <b>7,401,734</b> |
| Charge for the period                                         | 130,060          | 56,431                                             | (33,876)        | 152,615                       | 235,833                                             | 388,448          |
| Loans written-off                                             | (16,528)         | (11,091)                                           | (6,128)         | (33,747)                      | (608,783)                                           | (642,529)        |
| Foreign exchange differences and other movements              | (65,805)         | (51,194)                                           | (7,099)         | (124,098)                     | (274,467)                                           | (398,565)        |
| <b>Balance at 31/12/2014</b>                                  | <b>775,693</b>   | <b>719,215</b>                                     | <b>226,925</b>  | <b>1,721,833</b>              | <b>5,027,255</b>                                    | <b>6,749,087</b> |
| <b>Opening balance at 1/1/2015</b>                            | <b>775,693</b>   | <b>719,215</b>                                     | <b>226,925</b>  | <b>1,721,833</b>              | <b>5,027,255</b>                                    | <b>6,749,087</b> |
| Charge for the period                                         | 356,013          | 190,441                                            | 56,499          | 602,953                       | 1,401,516                                           | 2,004,469        |
| Loans written-off                                             | (11,290)         | (78,588)                                           | (29,433)        | (119,311)                     | (365,797)                                           | (485,108)        |
| Foreign exchange differences and other movements              | (44,075)         | (33,281)                                           | (10,887)        | (88,244)                      | (427,205)                                           | (515,448)        |
| Transfer of Cyprus Leasing S.A. to subsidiaries' of the Group | -                | -                                                  | -               | 0                             | (319,328)                                           | (319,328)        |
| <b>Balance at 30/9/2015</b>                                   | <b>1,076,341</b> | <b>797,786</b>                                     | <b>243,104</b>  | <b>2,117,232</b>              | <b>5,316,441</b>                                    | <b>7,433,672</b> |

## 12 Available for sale securities

|                                                              | 30 September<br>2015 | 31 December<br>2014 |
|--------------------------------------------------------------|----------------------|---------------------|
| Greek Government bonds                                       | 354,747              | 310,799             |
| Foreign Government bonds                                     | 18,935               | 5,792               |
| Greek Government treasury bills                              | 1,772,598            | 1,457,146           |
| Corporate entities bonds                                     | 66                   | 782                 |
| Bank bonds                                                   | 5,356                | 228                 |
| <b>Total bonds and other fixed income securities (A)</b>     | <b>2,151,701</b>     | <b>1,774,747</b>    |
| Listed shares                                                | 61,269               | 50,082              |
| Unlisted shares                                              | 155,759              | 158,027             |
| Mutual funds                                                 | 70,940               | 46,838              |
| Other variable income securities                             | 14,248               | 30,223              |
| <b>Total shares and other variable income securities (B)</b> | <b>302,217</b>       | <b>285,170</b>      |
| <b>Total available for sale securities (A) + (B)</b>         | <b>2,453,918</b>     | <b>2,059,917</b>    |

## 13 Debt securities - receivables

|                                                                         | 30 September<br>2015 | 31 December<br>2014 |
|-------------------------------------------------------------------------|----------------------|---------------------|
| Corporate entities debt securities - receivables                        | 5,356                | 5,152               |
| Bank debt securities - receivables                                      | 23,846               | 23,846              |
| EFSF bonds debt securities - receivables                                | 14,273,787           | 14,268,783          |
| <b>Total debt securities - receivables</b>                              | <b>14,302,988</b>    | <b>14,297,780</b>   |
| Less: Allowance for impairment on debt securities - receivables         | (23,846)             | (23,846)            |
| <b>Total debt securities - receivables (less allowances for losses)</b> | <b>14,279,142</b>    | <b>14,273,935</b>   |

## 14 Assets held for sale

During the 2<sup>nd</sup> quarter of 2015, Piraeus Bank Egypt S.A.E. has been transferred from the subsidiaries' portfolio to "Assets held for sale" as the classification criteria of IFRS 5 are met. On 21 May 2015, Piraeus Bank announced that it has entered into a definitive agreement with Al Ahli Bank of Kuwait K.S.C.P. to dispose its stake (98.5%) in Piraeus Bank Egypt S.A.E., its Egyptian subsidiary, for the amount of \$150 million. The finalization of the agreement is subject to the approval of the Egyptian Organization GAFI (General Authority For Investment) and is expected within November 2015.

## 15 Investments in subsidiaries and associate companies

The investments of Piraeus Bank in subsidiaries and associates are:

### A) Subsidiary companies

| s/n | Name of Company                                  | Activity                                      | % holding | Country        |
|-----|--------------------------------------------------|-----------------------------------------------|-----------|----------------|
| 1.  | Tirana Bank I.B.C. S.A.                          | Banking activities                            | 98.83%    | Albania        |
| 2.  | Piraeus Bank Romania S.A.                        | Banking activities                            | 100.00%   | Romania        |
| 3.  | Piraeus Bank Beograd A.D.                        | Banking activities                            | 100.00%   | Serbia         |
| 4.  | Piraeus Bank Bulgaria A.D.                       | Banking activities                            | 99.98%    | Bulgaria       |
| 5.  | Piraeus Bank Egypt S.A.E.                        | Banking activities                            | 98.49%    | Egypt          |
| 6.  | JSC Piraeus Bank ICB                             | Banking activities                            | 99.99%    | Ukraine        |
| 7.  | Piraeus Bank Cyprus LTD                          | Banking activities                            | 100.00%   | Cyprus         |
| 8.  | Piraeus Leases S.A.                              | Finance leases                                | 100.00%   | Greece         |
| 9.  | Piraeus Leasing Romania S.R.L.                   | Finance leases                                | 99.85%    | Romania        |
| 10. | Piraeus Insurance and Reinsurance Brokerage S.A. | Insurance and reinsurance brokerage           | 100.00%   | Greece         |
| 11. | Tirana Leasing S.A.                              | Finance leases                                | 100.00%   | Albania        |
| 12. | Piraeus Securities S.A.                          | Stock exchange operations                     | 100.00%   | Greece         |
| 13. | Piraeus Group Capital LTD                        | Debt securities issue                         | 100.00%   | United Kingdom |
| 14. | Piraeus Leasing Bulgaria EAD                     | Finance leases                                | 94.83%    | Bulgaria       |
| 15. | Piraeus Group Finance P.L.C.                     | Debt securities issue                         | 100.00%   | United Kingdom |
| 16. | Multicollection S.A.                             | Assessment and collection of commercial debts | 51.00%    | Greece         |
| 17. | Piraeus Factoring S.A.                           | Corporate factoring                           | 100.00%   | Greece         |
| 18. | Picar S.A.                                       | City Link areas management                    | 100.00%   | Greece         |
| 19. | Bulfina S.A.                                     | Property management                           | 100.00%   | Bulgaria       |
| 20. | General Construction and Development Co. S.A.    | Property development/ holding company         | 66.66%    | Greece         |
| 21. | Piraeus Direct Services S.A.                     | Call center services                          | 100.00%   | Greece         |
| 22. | Komotini Real Estate Development S.A.            | Property management                           | 100.00%   | Greece         |
| 23. | Piraeus Real Estate S.A.                         | Construction company                          | 100.00%   | Greece         |
| 24. | ND Development S.A.                              | Property management                           | 100.00%   | Greece         |
| 25. | Property Horizon S.A.                            | Property management                           | 100.00%   | Greece         |
| 26. | ETVA Industrial Parks S.A.                       | Development/ management of industrial areas   | 65.00%    | Greece         |
| 27. | Piraeus Development S.A.                         | Property management                           | 100.00%   | Greece         |
| 28. | Piraeus Asset Management S.A.                    | Mutual funds management                       | 100.00%   | Greece         |

| s/n | Name of Company                                        | Activity                                                         | % holding | Country                |
|-----|--------------------------------------------------------|------------------------------------------------------------------|-----------|------------------------|
| 29. | Estia Mortgage Finance PLC                             | SPE for securitization of mortgage loans                         | -         | United Kingdom         |
| 30. | Euroinvestment & Finance Public LTD                    | Asset management, real estate operations                         | 90.85%    | Cyprus                 |
| 31. | Lakkos Mikelli Real Estate LTD                         | Property management                                              | 40.00%    | Cyprus                 |
| 32. | Philoktimatiki Public LTD                              | Land and property development                                    | 6.39%     | Cyprus                 |
| 33. | IMITHEA S.A.                                           | Organization, operation and management of hospital units         | 100.00%   | Greece                 |
| 34. | Piraeus Green Investments S.A.                         | Holding company                                                  | 100.00%   | Greece                 |
| 35. | Capital Investments & Finance S.A.                     | Investment company                                               | 100.00%   | Liberia                |
| 36. | Vitria Investments S.A.                                | Investment company                                               | 100.00%   | Panama                 |
| 37. | Trieris Real Estate Management LTD                     | Management of Trieris Real Estate Ltd                            | 100.00%   | British Virgin Islands |
| 38. | Piraeus Insurance - Reinsurance Broker Romania S.R.L.  | Insurance and reinsurance Brokerage                              | 95.00%    | Romania                |
| 39. | Olympic Commercial & Tourist Enterprises S.A.          | Operating leases - rent-a-car and long term rental of vehicles   | 94.00%    | Greece                 |
| 40. | Piraeus Rent Doo Beograd                               | Operating leases                                                 | 100.00%   | Serbia                 |
| 41. | Estia Mortgage Finance II PLC                          | SPE for securitization of mortgage loans                         | -         | United Kingdom         |
| 42. | Piraeus Leasing Doo Beograd                            | Financial leasing                                                | 51.00%    | Serbia                 |
| 43. | Piraeus Capital Management S.A.                        | Venture Capital Fund                                             | 100.00%   | Greece                 |
| 44. | New Up Dating Development Real Estate and Tourism S.A. | Property, tourism & development company                          | 83.52%    | Greece                 |
| 45. | Axia Finance PLC                                       | SPE for securitization of corporate loans                        | -         | United Kingdom         |
| 46. | Praxis I Finance PLC                                   | SPE for securitization of consumer loans                         | -         | United Kingdom         |
| 47. | Piraeus Insurance Agency S.A.                          | Insurance agency                                                 | 95.00%    | Greece                 |
| 48. | Axia Finance III PLC                                   | SPE for securitization of corporate loans                        | -         | United Kingdom         |
| 49. | Praxis II Finance PLC                                  | SPE for securitization of consumer loans                         | -         | United Kingdom         |
| 50. | Axia III APC LTD                                       | SPE for securitization of corporate loans                        | -         | United Kingdom         |
| 51. | Praxis II APC LTD                                      | SPE for securitization of consumer loans                         | -         | United Kingdom         |
| 52. | R.E. Anodus LTD                                        | Consultancy services for real estate development and investments | 100.00%   | Cyprus                 |
| 53. | Piraeus Equity Partners Ltd                            | Holding company                                                  | 100.00%   | Cyprus                 |
| 54. | Achaia Clauss Estate S.A.                              | Property management                                              | 75.27%    | Greece                 |
| 55. | Kosmopolis A' Shopping Centers S.A.                    | Shopping Center's Management                                     | 100.00%   | Greece                 |
| 56. | Pleiades Estate S.A.                                   | Property management                                              | 15.98%    | Greece                 |
| 57. | Piraeus Real Estate Egypt LLC                          | Property management                                              | 99.90%    | Egypt                  |
| 58. | ATE Insurance S.A.                                     | Insurance                                                        | 100.00%   | Greece                 |
| 59. | Centre of Sustainable Entrepreneurship Excelixi S.A.   | Consulting Services - Hotel - Training & Seminars                | 100.00%   | Greece                 |

| s/n | Name of Company                             | Activity                                                     | % holding | Country        |
|-----|---------------------------------------------|--------------------------------------------------------------|-----------|----------------|
| 60. | Piraeus Asset Management Europe S.A.        | Mutual funds management                                      | 99.94%    | Luxemburg      |
| 61. | R.E. Anodus Two Ltd                         | Holding and Investment Company                               | 99.09%    | Cyprus         |
| 62. | Mille Fin S.A.                              | Vehicle Trading                                              | 100.00%   | Greece         |
| 63. | Kion Mortgage Finance Plc                   | SPE for securitization of mortgage loans                     | -         | United Kingdom |
| 64. | Kion Mortgage Finance No.3 Plc              | SPE for securitization of mortgage loans                     | -         | United Kingdom |
| 65. | Kion CLO Finance No.1 Plc                   | SPE for securitization of mortgage loans                     | -         | United Kingdom |
| 66. | Tellurion Ltd                               | Holding company                                              | 100.00%   | Cyprus         |
| 67. | Trastor Real Estate Investment Company      | Real estate investment company                               | 91.71%    | Greece         |
| 68. | Special Business Services S.A.              | Advising, consultancy, organizational and training services. | 100.00%   | Greece         |
| 69. | Geniki Financial & Consulting Services S.A. | Financial & Consulting Services                              | 100.00%   | Greece         |
| 70. | Special Financial Solutions S.A.            | Advising, consultancy, organizational and training services  | 80.00%    | Greece         |
| 71. | Geniki Information S.A.                     | Assessment and collection of commercial debts                | 100.00%   | Greece         |
| 72. | Marathon 1 Greenvale Rd LLC                 | Real estate development                                      | 99.95%    | U.S.A.         |
| 73. | Holding Spectacles S.A.                     | Holding company                                              | 100.00%   | Greece         |
| 74. | Piraeus ACT Services S.A.                   | Accounting and tax consulting                                | 100.00%   | Greece         |
| 75. | Cyprus Leasing S.A.                         | Finance leases                                               | 100.00%   | Greece         |

Companies numbered 29, 41, 45, 46, 48-51 and 63-65 are special purpose vehicles for securitization of loans and issuance of debt securities. Companies numbered 31, 32 and 56 are included in the Bank's subsidiaries' portfolio due to the existence of control in Group level. In addition, the companies numbered 16, 35, 36, 64, 65 and 73 are under liquidation as at 30/9/2015. Companies numbered 5 and 58 have been classified in line "Assets held for sale" as the classification criteria IFRS 5 are met. The financial figures and results of the companies numbered 64 and 65 are included in the Financial Statements of the Piraeus Bank. The financial results of the company numbered 75 are included in the Financial Statements of the Piraeus Bank for the period 1/1 - 31/7/2015.

**B) Associate companies**

| s/n | Name of Company                                                | Activity                                   | % holding | Country                |
|-----|----------------------------------------------------------------|--------------------------------------------|-----------|------------------------|
| 1.  | Crete Scient. &Tech. Park Manag. & Dev. Co. S.A.               | Scientific and technology park management  | 30.45%    | Greece                 |
| 2.  | "Evros" Development Company S.A.                               | European community programs management     | 30.00%    | Greece                 |
| 3.  | Project on Line S.A.                                           | Information technology & software          | 40.00%    | Greece                 |
| 4.  | APE Commercial Property Real Estate Tourist & Development S.A. | Holding Company                            | 27.80%    | Greece                 |
| 5.  | APE Fixed Assets Real Estate Tourist & Development S.A.        | Real estate, development/ tourist services | 27.80%    | Greece                 |
| 6.  | Trieris Real Estate LTD                                        | Property Management                        | 22.94%    | British Virgin Islands |



| s/n | Name of Company                                 | Activity                                                                            | % holding | Country        |
|-----|-------------------------------------------------|-------------------------------------------------------------------------------------|-----------|----------------|
| 7.  | European Reliance Gen. Insurance Co. S.A.       | General and life insurance and reinsurance                                          | 28.65%    | Greece         |
| 8.  | APE Investment Property S.A.                    | Real estate, development/ tourist services                                          | 27.20%    | Greece         |
| 9.  | Sciens International Investments & Holding S.A. | Holding Company                                                                     | 28.10%    | Greece         |
| 10. | Euroterra S.A.                                  | Property Management                                                                 | 39.22%    | Greece         |
| 11. | Rebikat S.A.                                    | Property Management                                                                 | 40.00%    | Greece         |
| 12. | Abies S.A.                                      | Property Management                                                                 | 40.00%    | Greece         |
| 13. | Exodus S.A.                                     | Information technology & software                                                   | 49.90%    | Greece         |
| 14. | Piraeus - TANEQ Capital Fund                    | Close end Venture capital fund                                                      | 50.01%    | Greece         |
| 15. | Teiresias S.A.                                  | Inter banking company. Development, operation and management of information systems | 23.53%    | Greece         |
| 16. | Pyrrichos S.A.                                  | Property management                                                                 | 50.77%    | Greece         |
| 17. | Hellenic Seaways Maritime S.A.                  | Maritime transport - Coastal shipping                                               | 39.61%    | Greece         |
| 18. | Euroak S.A. Real Estate                         | Real Estate Investment                                                              | 32.81%    | Greece         |
| 19. | Olganos Real Estate S.A.                        | Property management/Electricity Production from Hydropower Stations                 | 32.27%    | Greece         |
| 20. | Exus Software Ltd.                              | IT products Retailer                                                                | 49.90%    | United Kingdom |
| 21. | Marfin Investment Group Holdings S.A.           | Holding Company                                                                     | 28.50%    | Greece         |
| 22. | Selonda Aquaculture S.A.                        | Fish farming                                                                        | 33.16%    | Greece         |

The company numbered 14 is included in the associate companies' portfolio, due to the fact that Piraeus Bank exercises significant influence on the investment committee of the fund, which makes the investment decisions.

The company numbered 16 is included in the associate companies' portfolio since the Bank has significant influence and not control.

#### 16 Due to credit institutions

"Due to credit institutions" as at 30/9/2015, includes refinancing operations through repo transactions within the eurosystem amounting to € 35.8 billion (31/12/2014: € 14.1 billion). The increase in the refinancing raised during the period 1/1-30/9/2015, is mainly due to the reduction of domestic deposits due to economic uncertainty, the minimized access to international repo markets, as well as due to the liquidity raised from the emergency liquidity assistance (ELA) mechanism, following ECB's decision to suspend the acceptance of securities issued or guaranteed by the Greek government for main refinancing operations.

## 17 Due to customers

|                                                         | 30 September<br>2015 | 31 December<br>2014 |
|---------------------------------------------------------|----------------------|---------------------|
| <b>Corporate</b>                                        |                      |                     |
| Current and sight deposits                              | 5,008,677            | 6,161,212           |
| Term deposits                                           | 1,903,074            | 4,980,518           |
| Blocked deposits, guarantee deposits and other accounts | 187,804              | 101,221             |
| Repurchase agreements                                   | -                    | 1,476               |
| <b>Total (A)</b>                                        | <b>7,099,556</b>     | <b>11,244,427</b>   |
| <b>Retail</b>                                           |                      |                     |
| Current and sight deposits                              | 2,418,472            | 2,402,931           |
| Savings account                                         | 14,437,287           | 12,897,426          |
| Term deposits                                           | 11,310,272           | 23,599,427          |
| Blocked deposits, guarantee deposits and other accounts | 9,692                | 8,688               |
| <b>Total (B)</b>                                        | <b>28,175,723</b>    | <b>38,908,471</b>   |
| <b>Cheques payable and remittances (C)</b>              | <b>80,720</b>        | <b>87,446</b>       |
| <b>Total Due to Customers (A)+(B)+(C)</b>               | <b>35,355,999</b>    | <b>50,240,344</b>   |

The decrease in "Due to customers" during the period 1/1-30/9/2015, is due to the instability of the Greek market and the economy as well as the uncertainty created during this period, leading to a significant reduction of Bank's deposits in Greece, in alignment with the Greek market.

## 18 Debt securities in issue

|                                               | 30 September<br>2015 | 31 December<br>2014 |
|-----------------------------------------------|----------------------|---------------------|
| <b>Euro Medium Term Note</b>                  |                      |                     |
| € 60 million floating rate notes due 2015     | -                    | 60,000              |
| € 500 million fixed rate notes due 2017       | 364,358              | 447,805             |
| Accrued interest and other expenses           | 9,576                | 17,928              |
| <b>Total (A)</b>                              | <b>373,934</b>       | <b>525,733</b>      |
| <b>Securitisation of mortgage loans</b>       |                      |                     |
| € 750 million floating rate notes due 2040    | 26,510               | 46,600              |
| € 1,250 million floating rate notes due 2054  | 56,909               | 59,916              |
| € 600 million floating rate notes due 2051    | 21,556               | 29,092              |
| <b>Total (B)</b>                              | <b>104,975</b>       | <b>135,607</b>      |
| <b>Total debt securities in issue (A)+(B)</b> | <b>478,909</b>       | <b>661,341</b>      |

It should be noted that, apart from the debt securities in the table above, as of 30/09/2015 liabilities arising from securitisations of loans are retained by Piraeus Bank. These issues are the first and third securitisation of corporate loans in the amount of € 1,750 million and € 2,352 million respectively as well as the first and second consumer loan backed securitisation of € 725 million and € 558 million respectively.

As at 30/09/2015, a total of € 10 million Covered Bonds, issued by Piraeus Bank, are retained by Piraeus Bank. These covered bonds come from two separate issues, with original amount € 1,250 million (Series 1), due February 2017, and € 750 million (Series 2), due December 2016, issued under Piraeus Bank's Global Covered Bond Programme. On 03/07/2015, Piraeus Bank proceeded to the partial cancellation of € 1,245 million from Series 1 and € 745 million from Series 2 and the total outstanding Covered Bonds are € 5 million per Series.

Issuance under the Euro Medium Term Note program is undertaken either directly through Piraeus Bank or through Piraeus Group Finance PLC, a subsidiary of Piraeus Bank bearing the guarantee of Piraeus Bank.

In January 2015 Piraeus Bank issued a 3,100 million senior bond due April 2015. In March 2015 matured senior bonds, were issued in 2014 by Piraeus Bank amounting to € 4,500 and € 1,750 million. In April 2015, Piraeus Bank issued a € 4,500 million senior bond and a € 1,750 million senior bond, both due July 2015. In May 2015 a senior bond of € 3,100 million, issued by Piraeus Bank due August 2015. In July 2015 Piraeus Bank issued a € 4,500 million bond due October 2015 and a 1,750 million bond due April 2016. In August 2015 Piraeus Bank issued a € 3,100 million senior bond and a € 1,050 million senior bond, both due May 2016. All bonds mentioned above issued by Piraeus Bank, through Piraeus Bank's EMTN programme, bearing the unconditional and irrevocable guarantee of the Hellenic Republic, pursuant to Article 2 of Law 3723/2008, pay a floating rate coupon of 3M Euribor plus 600 bps, retained by Piraeus Bank.

As at 30/09/2015, face value of € 134.8 million of the € 500 million fixed coupon, senior unsecured notes due 2017 were retained by Piraeus Bank. The retained Bonds were canceled on 13/10/2015.

Piraeus Bank, during the period 01/01/2015 – 30/09/2015, proceeded to the buy back of bonds of securitised loans of total amount after amortization of € 19.6 million.

From the above mentioned securitisation of mortgage loans issues, Piraeus Bank possesses as at 30/09/2015 bonds of nominal value amounting € 110.0 million from the issuance of € 750 million, € 641.9 million from the issuance of € 1,250 million and € 45.9 million from the issuance of € 600 million.

On October 15, 2015, the Bank invited the holders of the € 500 million 5% Notes of Piraeus Group Finance PLC due March 2017 to offer to exchange any or all of such existing securities for non-transferable receipts issued by the Bank (note 26).

## 19 Hybrid capital and other borrowed funds

|                                                      | 30 September<br>2015 | 31 December<br>2014 |
|------------------------------------------------------|----------------------|---------------------|
| <b>Hybrid Capital (Tier I)</b>                       |                      |                     |
| € 200 million floating rate notes due 2034           | 16,249               | 16,373              |
|                                                      | <b>16,249</b>        | <b>16,373</b>       |
| <b>Subordinated debt (Tier II)</b>                   |                      |                     |
| € 336 million floating rate notes due 2016           | 210,324              | 215,132             |
| Accrued interest and other expenses                  | 815                  | 876                 |
|                                                      | <b>211,139</b>       | <b>216,008</b>      |
| <b>Total hybrid capital and other borrowed funds</b> | <b>227,388</b>       | <b>232,381</b>      |

The Bank is not in default of any payments of principal and interest of the subordinated debt. In the 3<sup>rd</sup> quarter of 2012, it has been decided that the interest return on hybrid capital will not be paid, taking into account the special terms and conditions that rule out the related payments. Since October 2014 the margin increased to 2.25% from 1.25% (step up).

Piraeus Bank, during the period 01/01/2015 – 30/09/2015, proceeded to the buy back of hybrid securities and subordinated securities of total amount € 4.8 million.

The nominal value of € 400 million relating to the issuance of the subordinated debt (Tier II) has been reduced by € 63.8 million, concerning the nominal value of the debt repurchased and cancelled by the Bank during 2012, under the Proposal that was made to the owner of the aforementioned debt. As at 30/09/2015 face value € 124.91 million of Tier II subordinated debt were retained by Piraeus Bank. The retained bonds were canceled on 13/10/2015.

On October 15, 2015, the Bank invited the holders of hybrid capital and other borrowed funds to offer to exchange any or all of such existing securities for non-transferable receipts issued by the Bank (note 26).

## 20 Contingent liabilities and commitments

### A) Legal procedures

It is noted that the Bank as at 30/9/2015 has raised a provision for outstanding litigations of amount € 13.1 million against € 11.2 million at 31/12/2014. The legal proceedings outstanding against the Bank as at 30/9/2015, for which no provisions were recorded, are not expected to have any significant impact on the financial statements of the Bank.

### B) Credit commitments

As at 30/9/2015 the Bank had the following capital commitments:

|                              | 30 September<br>2015 | 31 December<br>2014 |
|------------------------------|----------------------|---------------------|
| Letters of guarantee         | 3,051,384            | 3,123,380           |
| Letters of credit            | 31,285               | 30,861              |
| Commitments to extent credit | 1,203,761            | 1,443,145           |
|                              | <b>4,286,430</b>     | <b>4,597,386</b>    |

### C) Assets pledged

|                                                            | 30 September<br>2015 | 31 December<br>2014 |
|------------------------------------------------------------|----------------------|---------------------|
| Cash and balances with Central Bank                        | 1,202,339            | 1,028,484           |
| Financial instruments at fair value through profit or loss | 29,055               | 74,330              |
| Investment securities                                      | 1,174,561            | 1,081,727           |
| Loans and advances to customers                            | 24,919,050           | 4,046,740           |
| Debt securities - receivables                              | 13,870,153           | 5,738,198           |
|                                                            | <b>41,195,158</b>    | <b>11,969,479</b>   |

The above mentioned assets pledged are mainly used for liquidity purposes. Apart from the aforementioned assets, the Bank also pledges debt securities of own issue amounting to € 16,159 million as at 30/9/2015 (31/12/2014: € 6,284 million) and are not included in the Bank's assets. The amount of € 16,159 million includes securities of amount € 10,524 million, that had been issued with the unconditional and irrecoverable guarantee of the Hellenic Republic, securities of amount € 5,625 million issued under the securitization of consumer, mortgage and corporate loans of the Bank and securities of amount € 10,0 million from the issuance of covered bonds of the Bank. Additionally, under interbank repurchase agreement (repo) transactions, EFSF debt securities amounting to € 404 million (31/12/2014: € 8,531 million) are also used for liquidity purposes.

It is also noted that the "Loans and advances to customers" include loans of € 23,855 million, which have been pledged under financing from the E.L.A..

### D) Operating lease commitments

The future minimum lease payments, under non-cancellable operating leases, are analysed as follows:

|                   | 30 September<br>2015 | 31 December<br>2014 |
|-------------------|----------------------|---------------------|
| Up to 1 year      | 57,467               | 65,673              |
| From 1 to 5 years | 234,743              | 267,155             |
| More than 5 years | 431,754              | 496,204             |
|                   | <b>723,965</b>       | <b>829,032</b>      |

### E) Other contingent liabilities

The enactment of law 4335/2015 as at 23<sup>rd</sup> of July 2015, brought about changes in the operation of the Hellenic Deposit and Investment Guarantee Fund (HDIGF), the most important of which relate to the functioning of the Resolution Scheme as the national financing arrangement for the application of resolution tools to credit institutions, the involvement of the Deposit Cover Scheme (DCS) of HDIGF in the financing of resolution measures and the transfer of the Resolution Scheme assets and liabilities to a new Account (Account for the Settlement of Past Years' Resolution Measures).

The Resolution Scheme should gradually, within ten years, create a reserve that will equal to at least 1% of covered deposits by the HDIGF. This reserve will be covered by the contributions of the credit institutions that participate in HDIGF.

Loans that have been granted for the financing of resolution measures for credit institutions are included in the aforementioned liabilities which are transferred to the new Account. The Bank estimates that credit institutions participating in the HDIGF will continue to recognize regular contributions regarding this account, the amount of which will be determined each time by the BoD of the HDIGF. The framework for determining these contributions, as well as the other conditions concerning the operation and settlement of the new Account will be determined in the coming period, with the integration of Directive 49 EU into Greek legislation.

It is noted that the specific provision of law 4335/2015 concerning the creation of the "Account for the Settlement of Past Years' Resolution Measures", is repealed by the legislation for the recapitalization of the Banks that will be voted by the Greek Parliament.

The Bank is assessing the impact from the above legislation amendments on the calculation of contributions and the amount of liabilities due to the Resolution Scheme. The expense for the period 1/1-30/9/2015, relating to the contribution of the Bank to the Resolution Scheme, includes a special levy that relates to the resolution of a Greek financial institution.

## 21 Share capital

|                                          | Share Capital    | Share premium     | Total             |
|------------------------------------------|------------------|-------------------|-------------------|
| <b>Opening balance at 1 January 2014</b> | <b>2,271,770</b> | <b>10,008,734</b> | <b>12,280,505</b> |
| Increase of share capital                | 308,824          | 1,384,581         | 1,693,404         |
| Repurchase of preferred shares           | (750,000)        | -                 | (750,000)         |
| <b>Balance at 31 December 2014</b>       | <b>1,830,594</b> | <b>11,393,315</b> | <b>13,223,910</b> |
| <b>Balance at 30 September 2015</b>      | <b>1,830,594</b> | <b>11,393,315</b> | <b>13,223,910</b> |

Changes to the number of Bank's shares are analysed in the table below:

|                                          | Number of shares     |
|------------------------------------------|----------------------|
| <b>Opening balance at 1 January 2014</b> | <b>6,416,802,751</b> |
| Increase of share capital                | 1,029,411,764        |
| Preferred shares repurchase              | (1,344,234,800)      |
| <b>Balance at 31 December 2014</b>       | <b>6,101,979,715</b> |
| <b>Balance at 30 September 2015</b>      | <b>6,101,979,715</b> |

Following the share capital increase and the redemption of preference shares that took place in 2014, the share capital of the Bank on 31/12/2014 and 30/9/2015 amounted to € 1,830,593,914.50 divided into 6,101,979,715 ordinary registered shares with a nominal value of € 0.30 each. The amendment to the articles of association of the Bank, related to the cancellation of the preference shares of the Hellenic Republic, has been resolved by the Bank's Extraordinary General Meeting of Shareholders dated 30/10/2014 and it is subject to the approval by the supervising authority.

On January 7, 2015, the Bank announced that, after the settlement of warrant exercise orders, 3,568 warrants in total were exercised on shares issued by the Bank and owned by the Hellenic Financial Stability Fund (HFSF). Exercised warrants correspond to 15,969 ordinary shares, i.e. to 0.00026% of the outstanding number of ordinary shares, with the total amount paid by the warrant holders to the HFSF amounting to € 28,911.87. Following the abovementioned exercise of warrants (3<sup>rd</sup> in row), as well as the 4<sup>th</sup> exercise on 2 July 2015 in which no warrants were exercised, the HFSF percentage of Bank's total share capital stood at 66.93%.

The Annual Ordinary General Meeting of Shareholders, held on 29/6/2015, decided not to distribute dividend for the fiscal year 2014, according to the established provisions of article 10 of Law 3864/2010 combined with article 1 par. 3 of Law 3723/2008, as in force for the credit institutions participating in the Economy reinforcement plan.

According to article 28, Law 3756/2009 (Gov. Gazette A' 53/31.3.2009) the acquisition of treasury shares is not permitted for so long as the Bank participates in the reinforcement programmes, provided by the Law 3723/2008 (Gov. Gazette A' 250/9.12.2008). Furthermore, pursuant to par. 1, art. 16C of law 3864/2010 the acquisition of treasury shares by the Bank is not permitted for so long as the HFSF is a shareholder of the Bank.

## 22 Other reserves and retained earnings

|                                        | 30 September<br>2015 | 31 December<br>2014 |
|----------------------------------------|----------------------|---------------------|
| Legal reserve                          | 69,442               | 69,442              |
| Available for sale reserve             | (28,534)             | (44,777)            |
| Reserve of defined benefit obligations | (23,764)             | (32,114)            |
| <b>Total other reserves</b>            | <b>17,143</b>        | <b>(7,449)</b>      |

The movement in the available for sale reserve for the period is as follows:

| Available for sale reserve movement                                             | 30 September<br>2015 | 31 December<br>2014 |
|---------------------------------------------------------------------------------|----------------------|---------------------|
| Opening balance for the period                                                  | (44,777)             | 108,039             |
| Opening balance of acquired banking activities                                  | -                    | 798                 |
| Gains/ (losses) from the valuation of bonds and Greek government treasury bills | 13,858               | (95,331)            |
| Gains/ (losses) from the valuation of shares and mutual funds                   | 8,832                | (74,568)            |
| Recycling to income statement of shares and mutual funds impairment             | -                    | 34,772              |
| Recycling of the accumulated fair value adjustment of disposed securities       | (2,357)              | (72,179)            |
| Deferred income taxes                                                           | (4,090)              | 53,692              |
| <b>Closing balance for the period</b>                                           | <b>(28,534)</b>      | <b>(44,777)</b>     |

| Retained earnings movement            | 30 September<br>2015 | 31 December<br>2014 |
|---------------------------------------|----------------------|---------------------|
| Opening balance for the period        | (5,829,593)          | (4,195,148)         |
| Profit/ (loss) after tax              | (396,853)            | (2,065,200)         |
| Absorption of company                 | -                    | 430,755             |
| <b>Closing balance for the period</b> | <b>(6,226,446)</b>   | <b>(5,829,593)</b>  |

## 23 Related parties transactions

Related parties include: a) Members of the Bank Board of Directors and key management personnel of the Bank, b) Close family and financially dependants (husbands, wives, children etc) of the Board of Directors members and key management personnel, c) Companies having transactions with Piraeus Bank, if the total cumulative participating interest (of members of Board of Directors, key management personnel and their dependants/ close family) exceeds cumulatively 20%, d) Bank's subsidiaries, e) Bank's associates and f) HFSF, which in accordance with IAS 24 is related party of Piraeus Bank, after the recapitalization in the context of the law 3864/2010. It is noted that related parties do not include companies with which HFSF is potentially considered as a related party.

The transactions with the above related parties are under the usual market terms. More specifically, loans and letters of guarantee issued to related parties represent an insignificant part of total loans and letters of guarantee issued by the Bank, respectively. Loans and letters of guarantee have been issued to related parties in the normal course of business, within the approved credit policies and Bank procedures, adequately collateralized and the risk of their repayment is within the normal course of the market conditions.

Transactions with the Board of Directors members and the key management personnel, the close family and the financially dependants, the related with them companies and the HFSF are the following:

| Board of Directors members and key management personnel | 30 September<br>2015 | 31 December<br>2014 |
|---------------------------------------------------------|----------------------|---------------------|
| Loans                                                   | 60,457               | 101,100             |
| Deposits                                                | 10,761               | 23,720              |

Letters of guarantee and letters of credit to the members of the Board of Directors and to the key management personnel as at 30/9/2015 are € 3.5 million (31/12/2014: € 3.4 million). The total income that relates to members of the Board of Directors and the key management personnel for the period 1/1-30/9/2015 is € 1.6 million (1/1-30/9/2014: € 2.6 million). The total expense that relates to the prementioned related parties for the period 1/1-30/9/2015 is € 1.0 million (1/1-30/9/2014: € 0.2 million).

| Members of the Board of Directors and key management personnel remuneration | 1/1 - 30/9/2015 | 1/1 - 30/9/2014 |
|-----------------------------------------------------------------------------|-----------------|-----------------|
| Wages, salaries, employer's share of social contributions and charges       | 5,850           | 7,032           |
| Provisions for compensation and retirement programs                         | 383             | 707             |

The aggregate provisions for benefit plans to Members of the Board of Directors and key management personnel amount to € 30.3 million, from € 29.7 million as at 31/12/2014. The full amount of the above provisions has been included in the retirement benefit obligations.

Bank's balances from transactions with subsidiaries, associates and the relevant results are as follows:



**I. Subsidiaries**

|                                           | 30 September<br>2015 | 31 December<br>2014 |
|-------------------------------------------|----------------------|---------------------|
| <b>Assets</b>                             |                      |                     |
| Cash and balances with Central Bank       | 35,948               | 16,844              |
| Loans and advances to credit institutions | 764,880              | 806,975             |
| Loans and advances to customers           | 2,863,616            | 2,092,153           |
| Other assets                              | 323,939              | 316,671             |
| <b>Total</b>                              | <b>3,988,383</b>     | <b>3,232,644</b>    |
| <b>Liabilities</b>                        |                      |                     |
| Due to credit institutions                | 19,075               | 1,051,396           |
| Due to customers                          | 719,802              | 842,169             |
| Debt securities in issue                  | 546,985              | 731,367             |
| Hybrid capital and other borrowed funds   | 227,388              | 232,381             |
| Other liabilities                         | 9,796                | 11,871              |
| <b>Total</b>                              | <b>1,523,046</b>     | <b>2,869,184</b>    |

|                                      | 1/1 - 30/9/2015 | 1/1 - 30/9/2014  |
|--------------------------------------|-----------------|------------------|
| <b>Revenues</b>                      |                 |                  |
| Interest and similar income          | 52,642          | 57,140           |
| Fee and commission income            | 6,941           | 8,484            |
| Other income                         | 1,270           | 1,256            |
| <b>Total</b>                         | <b>60,853</b>   | <b>66,880</b>    |
| <b>Expenses</b>                      |                 |                  |
| Interest expense and similar charges | (48,545)        | (99,248)         |
| Fee and commission expense           | (14,652)        | (3,428)          |
| Operating expenses                   | (33,090)        | (29,060)         |
| <b>Total</b>                         | <b>(96,287)</b> | <b>(131,737)</b> |

Letters of guarantee and letters of credit to subsidiaries of the Group as at 30/9/2015 amount to € 155.4 million (31/12/2014: 181.9 million).

**II. Associates**

|                                | 30 September<br>2015 | 31 December<br>2014 |
|--------------------------------|----------------------|---------------------|
| Deposits and other liabilities | 69,947               | 124,661             |
| Loans and other receivables    | 1,029,998            | 908,522             |

The increase in the balance of loans and other receivables as at 30/9/2015 versus 31/12/2014 is mainly due to the classification of "Selonda Aquaculture S.A." in the portfolio of associate companies. The aggregate provisions on loans to associate companies amount to € 63.2 million, from € 47.1 million as at 31/12/2014.

|                                       | 1/1 - 30/9/2015 | 1/1 - 30/9/2014 |
|---------------------------------------|-----------------|-----------------|
| Total expense and capital expenditure | (6,216)         | (7,851)         |
| Total income                          | 35,438          | 6,314           |

The increase in total revenues for the period 1/1 - 30/9/2015 compared to the respective period last year, is mainly due to loan interest income of the Group of MIG, which has been classified in the portfolio of associates in December 2014.

Letters of guarantee to associates of the Group as at 30/9/2015 amount to € 17.5 million (31/12/2014: € 13.9 million).

## 24 Capital adequacy

Capital adequacy ratios are calculated based on the new regulatory framework CRD IV (Basel III implementation under EU rules), which came into force with Directive 2013/36/EU and Regulation (EU) No. 575/2013.

|                                                             | 30 September 2015 | 31 December 2014 |
|-------------------------------------------------------------|-------------------|------------------|
| <b>Common Equity Tier 1 Capital (CET1)</b>                  | 6,538,559         | 7,049,559        |
| <b>Tier 2 Capital (T2)</b>                                  | 29,559            | 75,603           |
| <b>Total Capital (TC)</b>                                   | 6,568,119         | 7,125,162        |
| Total risk weighted assets (on and off-balance sheet items) | 51,551,243        | 51,105,375       |
| Common Equity Tier 1 ratio                                  | 12.7%             | 13.8%            |
| Tier 1 ratio                                                | 12.7%             | 13.8%            |
| Total Capital ratio                                         | 12.7%             | 13.9%            |

The determination of capital for 30/09/2015, as referred to in the above table, takes into account the voluntary conversion of deferred tax assets arising from temporary differences into directly enforceable claims against the Greek State, as provided by Article 27A of Greek Law 4172/2013.

## 25 Acquisition of assets and liabilities of former Panellinia Bank S.A.

On 17/4/2015, Piraeus Bank acquired the "healthy" segments of the assets and liabilities of former Panellinia Bank S.A. for a consideration of € 17.1 million. The fair values of the acquired assets and liabilities are provisional and as a result the initial accounting of the acquisition is incomplete (provisional accounting). Following the completion of the valuation, within the required period (measurement period) according to the requirements of IFRS 3, that is within one year from the acquisition date, the values of the acquired assets and liabilities will be adjusted retrospectively from the acquisition date, according to the requirements of IFRS 3.

The provisional fair values of the assets and liabilities acquired from former Panellinia Bank S.A., are as follows:

|                                                     | former Panellinia<br>Bank S.A. |
|-----------------------------------------------------|--------------------------------|
| <b>Assets</b>                                       |                                |
| Cash and balances with Central Banks                | 1,594                          |
| Loans and advances to credit institutions           | 1,697                          |
| Loans and advances to customers (net of provisions) | 195,304                        |
| Available for sale securities                       | 347                            |
| Property, plant and equipment                       | 2,052                          |
| Other assets                                        | 34,135                         |
| Funding gap                                         | 360,610                        |
| <b>Total Assets</b>                                 | <b>595,739</b>                 |
| <b>Liabilities</b>                                  |                                |
| Due to credit institutions                          | 89,306                         |
| Due to customers                                    | 504,288                        |
| Other liabilities                                   | 2,146                          |
| <b>Total liabilities</b>                            | <b>595,739</b>                 |
| Shareholders equity                                 | -                              |
| <b>Total liabilities and shareholders equity</b>    | <b>595,739</b>                 |
| Cost of acquisition                                 | 17,100                         |
| Percentage of net assets acquired                   | 100%                           |
| Goodwill on acquisition                             | 17,100                         |

## 26 Events subsequent to the end of the interim period

- On October 15, 2015, the Bank invited the holders of the outstanding € 200 million Series A Floating Rate Non-cumulative Guaranteed Non-voting Preferred Securities of Piraeus Group Capital Limited, the € 400 million Subordinated Callable Step-up Floating Rate Notes of Piraeus Group Finance PLC due 2016 and the € 500 million 5% Notes of Piraeus Group Finance PLC due March 2017 to offer to exchange any or all of such existing securities for non-transferable receipts issued by the Bank. The offers were made to strengthen the Bank's capital base, which has been impacted by the impaired macro-economic conditions recently experienced in the Hellenic Republic that are affecting all Greek financial institutions. In addition, the exchange offers in relation to the 2016 securities and the perpetual securities reflect the fact that, if State aid is required to meet any part of the additional capital requirements imposed as a result of the Comprehensive Assessment conducted by the Single Supervisory Mechanism (SSM) or otherwise burden-sharing will

need to be achieved to the maximum extent possible through contributions by holders of equity, hybrid capital and subordinated debt of the Bank. The process is expected to be finalized on or about November 4, 2015 (announcement: <http://www.piraeusbankgroup.com/en/press-office/press-release/2015/10/announcement>).

- Piraeus Bank took notice of the announcement of European Central Bank on October 31, 2015 regarding the results of the Comprehensive Assessment exercise conducted for the four Greek systemic banks. The exercise was carried out on provisional balance sheet figures as of June 30, 2015 and consisted of (i) an Asset Quality Review ("AQR"), constituting a review of the carrying values of the Bank's Greek loan portfolios, and (ii) a stress test under a "baseline" and an "adverse" scenario. The results imply, on a consolidated basis, a capital shortfall for the Bank (before any mitigating actions) of the maximum of:

I. € 2,213 million under the "baseline" scenario, after considering the results of the AQR and the stress test.

II. € 4,933 million under the "adverse" scenario, after considering the results of the AQR and the stress test.

|                                                             | bps of CET1% | EUR mn |
|-------------------------------------------------------------|--------------|--------|
| <b>(a) AQR (9.5% threshold)</b>                             | 402          | 2,188  |
| <b>(b) Stress test "baseline" scenario (9.5% threshold)</b> | 432          | 2,213  |
| <b>(c) Stress test "adverse" scenario (8.0% threshold)</b>  | 1,035        | 4,933  |
| <b>Aggregate shortfall [max of (a),(b),(c)]</b>             | 1,035        | 4,933  |

The above capital shortfall does not take into account any mitigating actions that will be included in the Capital Plan of the Bank, to be formally submitted to the ECB by 6 November 2015. The Bank is in dialogue with the ECB in relation to the aforementioned actions and its Capital Plan describing in detail the measures it will undertake. Piraeus Bank is capable to proceed with all steps required to cover the arising capital needs.

- On October 30th 2015 the draft legislation setting the rules for recapitalization of the financial institutions in Greece and updating or introducing new regulations regarding the role of the Financial Stability Fund was submitted to the Greek Parliament.

Other clauses of the same legislation regulate issues regarding the deferred tax assets of financial institutions, which fall under the clauses of article 27A of law 4172/2013 and can be converted into final and settled claims against the Greek State. These clauses refer to the following:

- The restriction of the amount of deferred tax assets to the amount that relates to provisions for bad debts, which have been reported in the financial statements of the credit institution until 30 June 2015.

- The deferral by one year of the application of the clause for the conversion of deferred tax assets and as such, the activation of the relevant clauses for accounting losses that will occur from 1.1.2016 and onwards.

The discussion of the draft legislation in the Parliament and its subsequent voting is in process.

Athens, October 31<sup>st</sup>, 2015

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