PIRAEUS BANK

# MID YEAR FINANCIAL REPORT

**for the 1st half 2018**

**According to Law 3556/ 2007**

**August 2018**

The attached Mid Year Financial Report has been approved by Piraeus Bank S.A. Board of Directors on 31 August 2018 and it is available on the web site of Piraeus Bank at www.piraeusbankgroup.com

The information contained in this Mid Year Financial Report has been translated from the original Mid Year Financial Report that has been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language Mid Year Financial Report, the Greek language Mid Year Financial Report will prevail over this document.

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The Mid Year Financial Report for the 1st half of 2018 is available in the Bank's internet site:
http://www.piraeusbankgroup.com/en/investors/financials/financial-statements

## Certification of Chairman, Chief Executive Officer and member of the Board of Directors

According to the provisions of article 5 paragraph 2(c) of Law 3556/2007, as in force, we the undersigned state that to the best of our knowledge:

The Interim Financial Report for the 6-month period ended 30 June 2018 has been prepared in accordance with the applicable accounting standards and present a true and fair view of the assets and liabilities, the equity and financial performance of the Bank and of the entities included in the consolidation, taken as a whole, according to article 5 paragraph 3-5 of Law 3556/2007, as in force.

The Board of Directors' Interim Report for the same above period presents fairly the information required by article 5 paragraph 6 of Law 3556/2007, as in force.

Athens, 31 August 2018

| Chairman of the BoD | Managing Director | BoD Member |
|---|---|---|
| George P. Handjinicolaou | Christos I. Megalou | Solomon A. Berahas |

# BOARD OF DIRECTORS' INTERIM REPORT

**For the period from 1st January to 30th June 2018**

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## BOARD OF DIRECTORS' INTERIM REPORT

# BOARD OF DIRECTORS' INTERIM MANAGEMENT REPORT

# (According to Law 3556/2007)

**International Environment and Economic Developments**

In the Eurozone the annual growth rate decelerated (from 2.8% to 2.5%) in the first quarter 2018, while inflation accelerated to 2.0% at the end of the first half 2018. For the full year 2018, the GDP growth rate is expected to reach 2.1% (from 2.4% in 2017) and inflation 1.7% (from 1.5% in 2017). In the USA, during the first quarter of 2018 the GDP growth rate accelerated to 2.8% from 2.5%, while inflation accelerated at the end of first half to 2.3%. For the full year 2018, the growth rate is expected at 2.8% (from 2.3% in 2017) and inflation to 2.1% (from 1.7% in 2017). The growth rate of the world economy is anticipated to accelerate to 3.9% in 2018 (from 3.8% in 2017), with similar trend expected both in the developed economies (from 2.3% to 2.5%) and in the emerging economies (from 4.8% to 4.9%).

During the first half of 2018, important decisions were taken from the main central banks. The European Central Bank (ECB) decided the conclusion of its quantitative easing program at the end of 2018, but at the same time announced that it will maintain the currently low levels of its intervention rates (-0.40% for the Deposit Facility Rate and 0.00% for the Marginal Refinance Operations Rate) at least until the summer of 2019. In the USA, the Federal Reserve increased twice (by 25 basis points each time) its intervention rates (from 1.25%-1.50% to 1.75%-2.00%), while it expects to raise its rates another two times by the end of 2018. To the contrary, the Central Bank of China proceeded to moves of a facilitating monetary policy, through the reduction of the required reserve ratio.

**Developments in the Greek Economy and the Banking System**

During 2018, the Greek economy is anticipated to maintain its growth trajectory, as already in 2017 significant developments took place, which create a picture of stabilization on the side of fiscal adjustment and recovery of confidence and positive expectations on the market side. In addition, a series of short term measures for the relief of the public debt were applied in 2017.

The decisions of Eurogroup (June 21-22 2018), which marked the conclusion of the last review of the third economic adjustment program for Greece, were a focal point. Within this framework, the following were agreed: a) the size of the last payment disbursement of the program to be € 15 billion out of which € 5.5 billion to cover funding needs and € 9.5 billion as a cash buffer. The total cash buffer is projected to reach € 24.1 billion and could cover the financing needs of the country for approximately 22 months after the conclusion of the program in August 2018, b) a regime of enhanced surveillance after the conclusion of the program, c) the assumption of further measures for the sustainability of public debt. Consequently, on 6 August 2018 the last program payment at € 15 billion was disbursed from the European Stability Mechanism (ESM) and on 20 August 2018 the conclusion of the third economic adjustment program was announced, with total disbursements amounting to € 61.9 billion. In 2018, the credit rating agencies Moody's, S&P and Fitch, upgraded the long term credit ratings of Greece to the "B3", "B+" and "BB-" ranges respectively, with Moody's and S&P assigning a positive outlook to the rating and Fitch a stable outlook.

The economic sentiment indicator rose to 103.1 points in the period January – July 2018, against 94.7 points the corresponding period of 2017, reflecting the more positive projections of businesses, as well as the improvement of the consumer confidence indicator. Real GDP in the first quarter 2018, based on seasonally adjusted data, increased for a 5th consecutive quarter both annually (by 2.3%) and quarterly (by 0.8%), maintaining the positive trajectory of 2017 (growth of 1.4%). Moreover, during the first half of 2018, a positive momentum was maintained in the tourism sector, as tourist arrivals and tourist inflows increased by 19.1% and 18.9% respectively on an annual basis. In the Mid Term Fiscal Program (MTFP) 2019-2022 the Greek economy's growth rate is expected to reach 2% in 2018 and accelerate to 2.4% in 2019. In addition, unemployment continued its downward course as - based on the latest available data of May 2018 - it dropped to 19.5% from 21.7% in May 2017.

At the fiscal level, based on government budget execution data, in the period January-July 2018, the deficit reached € 1.6 billion at an adjusted cash basis versus a target for a deficit of € 2.6 billion, whereas the primary surplus reached € 2.0 billion. According to the Mid Term Fiscal Program (MTFP 2019-2022), based on the Fiscal Adjustment Program methodology, the general government's primary surplus for 2018 is expected to reach 3.6% of GDP versus a target of 3.5%.

The maintenance of fiscal stability, the gradual strengthening of confidence at the international level about the sustainability of the country's fiscal position, as well as the positive effects in economic activity from improving domestic confidence, which will be invigorated from an economic policy favoring growth friendly structural reforms, are expected to safeguard a growth course for the Greek economy.

The Greek banking system experienced in the first six months of 2018 an asset quality improvement through the reduction of the balance of its non performing exposures (NPEs), as well as the expansion of its funding sources and the improvement of its liquidity (deposits increase, reduction of dependence on ECB funding).

With respect to loans of the domestic private sector in the Greek market, the annual reduction rate for financing in June 2018 reached -1.2% and balances stood at € 178.9 billion. The loans to deposits ratio for the Greek banking market further improved to 101% as at 30 June 2018 from 111% as at 31 December 2017.

As far as liquidity of the Greek banking system is concerned, in the first half of 2018, the increase of deposits experienced in 2017 continued, as a result of the gradual improvement of economic activity and the return of confidence to the banking system following the continuous easing of capital controls. Total deposits in the domestic market (private and public sector) increased by 4.4% since the beginning of 2018, amounting to € 143.8 billion as at 30 June 2018 from € 137.8 billion at 31 December 2017.

At the beginning of 2018, the exchange program for EFSF / ESM bonds held by Greek banks in the framework of short term public debt relief measures was completed. Its result was the deleveraging of Greek banks' balance sheets and the significant reduction of their dependence on ECB funding, mainly during 2017.

The reduction of dependence of domestic banks from central bank funding continued in the first half of 2018. Specifically, it was reduced by € 17.4 billion, from € 33.7 billion at 31 December 2017 to € 16.3 billion at 30 June 2018, out of which € 7.3 billion from the ELA mechanism (-€ 14.3 billion from the end of 2017) and € 9.0 billion from ECB main refinancing operations (-€ 3.1 billion respectively).

Taking into account the conclusion of the third economic adjustment program of Greece in August 2018, the continuous relaxation of capital controls and the return of the Greek economy to growth, it is anticipated that Greek banks are in the position to further improve their funding profile and increase their deposit base.

Addressing the high level of NPEs represents the biggest challenge for the Greek banking system. In late November 2016, the Bank of Greece, in cooperation with the Single Supervisory Mechanism (SSM) of the ECB set operational targets for the reduction of non-performing exposures of Greek banks, which are accompanied by key performance indicators. Quarterly operational targets were set, beginning from June 2016 up until the end of 2017 and annual targets for the years 2018 and 2019. In September 2017, the operational targets were revised, aiming at a 37% reduction of NPEs during the period June 2017 – December 2019. The level of NPE stock at the end of 2019 is targeted to drop to € 64.6 billion, € 2.2 billion lower than the target set during September's 2016 submission. Operational targets have been incorporated in the banks' strategy through their business plans.

Towards this direction, the legal framework has been reformed and Greek banks have taken significant initiatives. Specifically, electronic platforms for out-of-court workouts (OCW) and for real estate auctions have started operating, several NPL servicing companies have been licensed and the sales of portfolios of problem loans, the first of which were conducted in 2017, were accelerated. In addition, a new law is offering legal protection to bank executives dealing with loan restructuring and the rights of secured creditors have been strengthened.

Based on March 2018 data, NPEs decreased by 2.1% and 12.3% compared to 31 December 2017 and 31 December 2016 respectively, dropping to € 92.4 billion or 48.5% of total exposures. The banking system NPE coverage by cumulative provisions has increased significantly to 49.0% as at 31 March 2018 from 46.2% as at 31 December 2017, mainly due to the recognition of additional provisions as a result of the adoption of IFRS 9. When collateral is incorporated in the coverage calculations (capped at a maximum value of the remaining balance of the loan before provisions), then the NPE coverage achieved exceeds 100%.

In early 2018, within the framework of the 2018 EU-Wide Stress Test Exercise (“Stress Test Exercise”), the corresponding test was conducted for the systemic Greek banks in order to evaluate their vulnerability to financial stresses for the period 2018-2020. The reference balance sheet for the conducted exercise was the balance sheet of banks as at 31 December 2017 adjusted for the IFRS 9 First Time Adoption (FTA) impact.

In May 2018, the results of the exercise were announced for Greek banks. On average, the Common Equity Tier 1 (CET-1) ratio under the stress scenario was reduced by 9 percentage points, which correspond to a reduction of the equity capital of the banking system in total by € 15.5 billion. No capital deficit came up as a result of the exercise for any bank.

Finally, on 10 August 2018 the Governing Council of ECB has decided that from 21 August 2018 the Eurosystem’s standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Hellenic Republic and that such debt instruments will be subject to the standard haircuts set out in Guideline (EU) 2016/65 of the European Central Bank. Banks in Greece have incorporated this development (waiver lift) in their funding strategy and expect to absorb the impact without a problem, through the use of collaterals in the interbank repo market.

**Piraeus Bank Group Developments**

The most important corporate events for Piraeus Bank Group during the first six months of 2018 and up to the publication of the Interim Financial Information, were the following:

- On 1 January 2018, Piraeus Bank Group applied the requirements of IFRS9 “Financial Instruments”, proceeding to disclosures which relate to the transition to IFRS9 “Financial Instruments” and are offering information necessary to understand the effect of the first time adoption of the new accounting standard to the financial position of Piraeus Bank Group as at 1st January 2018. The IFRS 9 FTA impact on the financial position of Piraeus Bank Group on 1 January 2018, was the reduction of its total equity in the area of € 1,620.7 million. During the first half of 2018, Management finalized the effect of the IFRS 9 FTA and increased the initially assessed effect by € 348.2 million, resulting in a final IFRS 9 FTA impact on 1 January 2018 of € 1,968.9 million. More details on the IFRS 9 FTA impact are given in Note 3 of Interim Financial Information.
- 2 January 2018 was the last day (T) for the exercise of Piraeus Bank Titles Representing Share Ownership Rights (Warrants). During their 9th and last exercise process, a total of 7,136 Warrants on shares issued by the Bank and owned by the Hellenic Financial Stability Facility (HFSF) were exercised, resulting in 15 new common shares and a commensurate increase of the Bank’s free float. The 843,629,886 Warrants that had not been exercised by that date automatically expired and were cancelled by the EFSF after the exercise orders settlement date, on 5 January 2018 (T+3).

- During February 2017, the exchange of floating rate EFSF and ESM notes held by Piraeus Bank with fixed rate ESM bonds was initiated, within the framework of the short-term measures for the relief of Greek public debt. Up until 31 December 2017, notes held by the Bank with a nominal value of € 10.9 billion had been exchanged for cash, and an additional € 1.5 billion with new ESM bonds. These new bonds were exchanged for cash on 17 January 2018, bringing the bond exchange program to an end.
- In February 2018, Piraeus Bank initiated a Voluntary Exit Scheme, which received applications for participation from approximately 1,200 employees of the Bank and its subsidiaries in Greece.
- On 27 February 2018, the credit rating agency Moody’s upgraded the long term deposit and senior debt credit rating of Piraeus Bank to ‘Caa2’ with a stable outlook from ‘Caa3’ with a stable outlook.
- During March 2018, the procedure for the sale of Piraeus Bank’s subsidiary Olympic Commercial and Tourism Enterprises – which holds the Avis Rent a Car, Budget Rent a Car and Payless master franchises for Greece – to a special purpose company designated by Avis Budget Group was completed. The sale procedure had started in 2017.
- On 23 April 2018, the sale of Piraeus Bank Beograd A.D. to Direktna Bank A.D. was completed, following the receipt of the necessary regulatory approvals by the HFSF, the National Bank of Serbia and the Serbian Competition Authority.
- On 5 May 2018, the European Central Bank (“ECB”) announced the results of the Stress Test Exercise conducted by the ECB and the European Banking Authority (“EBA”) on the four Greek systemic banks. The reference balance sheet for the conducted exercise was the balance sheet of the Bank as at 31 December 2017 (“Static Balance Sheet”), which was stressed under a “baseline” and an “adverse” scenario. Under the Stress Test Exercise, Piraeus posted a Common Equity Tier 1 capital ratio (“CET1 ratio”) of 14.5% under the “baseline” scenario and 5.9% under the “adverse” scenario at the end of 2020.
- On 29 May 2018, Piraeus Bank entered into an agreement for the sale of non-performing and denounced corporate NPEs, secured with real estate collateral, to Bain Capital Credit LP, of € 1.4 billion on-balance sheet gross book value for a total cash consideration of € 432.0 million. The transaction is subject to customary conditions, regulatory and other approvals by the respective authorities in Greece, including the HFSF. Following the completion of the transaction, Piraeus Bank will have no control over the servicing of the portfolio and will retain none of the risks and rewards associated with it.
- On 29 June 2018, Piraeus Bank completed the sale of Piraeus Bank Romania to J.C. Flowers & Co. following the receipt of the necessary regulatory approvals by the National Bank of Romania.
- On 2 July 2018, Piraeus Bank S.A announces that it has entered into a binding agreement with APS Investments S.a.r.l. for the sale and transfer of non-performing, denounced unsecured retail consumer and credit card loans of € 0.4 billion on-balance sheet gross book value, for a consideration in cash of € 52.0 million. The closing of the transaction is subject to customary conditions, including regulatory and other approvals by the respective authorities in Greece, including the consent of the HFSF. Following the completion of the transaction, Piraeus will have no control over the servicing of the portfolio and will retain none of the risks and rewards associated with it.
- On 3 July 2018, the credit rating agency S&P Global upgraded the long-term / short-term ratings of Piraeus Bank to ‘B-/B’ with stable outlook from ‘CCC+/C’ with stable outlook.
- On 12 July 2018, Piraeus Bank brought down to zero its funding through ELA (Emergency Liquidity Assistance) from € 0.3 billion as at 30 June 2018 and € 5.7 billion as at 31 December 2017.
- On 31 July 2018, the four systemic Banks entered into a servicing agreement with a credit institution specialized on servicing of non-performing loans, doBank S.p.A (doBank). DoBank will support them in the exclusive management of common NPEs of more than 300 Greek SMEs with an approximate nominal value of € 1.8 billion, by facilitating the search for effective and viable restructuring solutions, in the cases where this is feasible.
- On 3 August 2018, Piraeus Bank S.A. announces that the 1st phase of the tender process for the disposal of 100% of the shares of its subsidiary Imithea S.A., owner and operator of the Henry Dunant Hospital Center, was completed, following the timely submission of a satisfactory number of non-binding offers by investors participating in the competitive tender process.

- On 7 August 2018, Piraeus Bank S.A. announces that it has entered into an agreement with the Balfin Group and the Komercijalna Banka, for the sale of shares in its subsidiary in Albania, Tirana Bank. The transaction is subject to customary conditions, including regulatory and other approvals by the respective authorities in the European Commission, Greece and Albania, as well as the HFSF. The total consideration amounts to € 57.3 million for the 98.83% stake Piraeus Bank holds in Tirana Bank.
- On 27 August 2018, DBRS Ratings assigned a provisional investment grade credit rating of BBB (low) to Piraeus Bank's € 10 billion Global Covered Bonds Program, under which there are currently five outstanding series worth € 4.5 billion of covered bonds.

**Evolution of Volumes and Results of Piraeus Bank Group during the first half of 2018**

**Introduction**

Piraeus Bank has a systemic position in the Greek banking market as of 30 June 2018 in terms of assets (€ 59.2 billion), deposits (29% market share) and loans (29% market share, with 33% in business loans). The Bank's operating model includes the offer of products and services in the whole range of financial services (universal bank). Savings deposits constitute 34% of the total domestic deposits of the Bank with time deposits at 40% and sight deposits at 26%. Business deposits correspond to 23% of the total domestic deposit base at Piraeus Bank with retail deposits accounting for the remaining 77%. Piraeus Bank has a dominant position in the SME market, as around 80% of the domestic SMEs are customers of the Bank. Piraeus Bank's domestic loan book consists of business (63%), mortgage (28%) and consumer loans (9%). The Bank holds the most extensive footprint in Greece with 574 branches and a wide customer base of 5.2 million active customers. The free float on its share capital is high with c.30k common shareholders, holding 74% of the Bank's common equity (the HFSF holds 26%). The Bank has adopted best practices of corporate governance, which led it to the appointment of the current BoD, as well as significant reshuffling of top management since 2017.

**Balance Sheet**

Regarding the financial position of Piraeus Group as of 30 June 2018, total assets amounted to € 59.2 billion compared to € 67.4 billion on 31 December 2017, the decrease is due to the effect of the IFRS 9 FTA impact of € 2.0 billion on cumulative provisions, the repayment of the OPEKEPE loan for financing of agricultural subsidies of € 1.6 billion, as well as write-offs of € 1.6 billion during the six months period ended 30 June 2018.

Customer deposits of the Group amounted to € 42.1 billion as at 30 June 2018, lower by € 0.6 billion compared to 31 December 2017 (-1.4%) due to the net effect of the divestment abroad (classifying operations in Bulgaria and Albania in discontinued operations) off-set by the increase in customer deposits of the Bank by € 1.0 billion. The declining trend in time deposits' cost continued during the first half of 2018, with new time deposits cost dropping to 0.62% in June 2018 against 0.64% in December 2017.

The Group's utilization of Eurosystem funding reduced in the first half of 2018 by € 7.9 billion to € 1.8 billion as at 30 June 2018, against € 9.7 billion as at 31 December 2017, supported by deposits increase, the access to the interbank repo market, the further deleveraging of the loan portfolio and the participation of the Bank in the EFSF bond exchange program with cash (nominal value of € 1.5 billion). Piraeus Bank's ELA funding during the first half of 2018 was reduced by € 5.4 billion, dropping to € 0.3 billion as at 30 June 2018 versus € 5.7 billion as at 31 December 2017. During the same period, the Bank's ECB refinancing (mainly through Targeted Long Term Refinancing Operations – TLTRO II) was reduced by € 2.5 billion, and amounted to € 1.5 billion as at 30 June 2018 versus € 4.0 billion as at 31 December 2017. Moreover, access to interbank funding with the use of collaterals increased to € 3.3 billion as at 30 June 2018 from € 1.5 billion as at 31 December 2017.

Group loans before impairments and adjustments as at 30 June 2018 totaled € 53.7 billion from € 60.3 billion as at 31 December 2017, having taken into account the IFRS 9 FTA impact on 1 January 2018 of € 2.0 billion, the classification of loans in Bulgaria and Albania to discontinued operations (€ 1.0 billion aggregate), the repayment of OPEKEPE loan for financing of agricultural subsidies of € 1.6 billion as well as write-offs of € 1.6 billion during the six months period ended 30 June 2018. Total gross loans in Greece stood at € 52.6 billion as at 30 June 2018 and loans stemming from the Group's international operations amounted to € 1.1 billion. Per business line, on 30 June 2018, Group business loans reached € 34.0 billion, representing 63.3% of the total loan portfolio, while retail loans amounted to € 19.7 billion or 36.7% of the total portfolio.

The Group's adjusted loans in arrears over 90 days ratio (NPLs) was 33.1% as at 30 June 2018, as NPLs reduced to € 17.8 billion on 30 June 2018 from € 20.7 billion as at 31 December 2017. The adjusted Group NPL coverage ratio rose to 80.7% from 75.0% respectively. The particularly high level of cumulative provisions over gross loans ratio of the Group should be highlighted, which reached 26.7% as at 30 June 2018. Respectively, the adjusted NPEs for the Group stood at € 29.4 billion on 30 June 2018 from € 32.9 billion on 31 December 2017, and the adjusted NPEs over total gross loans ratio for the Group was at 54.8% as at 30 June 2018, while the adjusted Group NPE coverage ratio from accumulated provisions at 48.8%.

As part of the submission of operational targets for asset quality to both ECB and Bank of Greece, Management has committed to reduce its non-performing exposures, between June 2016 and December 2019, by approximately 41% and its non-performing loans over 90 days past due by 58% respectively (at the parent level), aiming at NPLs at € 10.4 billion and NPEs at € 20.3 billion.

The Bank's overall strategy in managing NPEs is to achieve the operational targets reduction in such a way as to create value for the Bank in the longer term:

- one of the challenges in decreasing our NPEs is to optimize between the present and the future retrieval of receivables, taking into consideration the upside that the macro recovery will bring into the picture. As a result, our target of decreasing NPEs is going hand in hand with our target of maximizing shareholders value;
- the Bank recognizes its duty to support the real economy by providing continued funding to viable companies and individuals.

These principles determine the Bank's strategic priorities in response to the financial constraints currently in place:

- the determination of cooperating/viable customers/ businesses to provide long term viable restructuring solutions that will allow them to improve their fundamentals and at the same time maintain options to take a share of the future upside;
- the initiation of resolution procedures for non-viable or uncooperative customers/businesses. Asset liquidation will be accelerated when it is clear that restructuring is not a viable option, thus enabling the Bank to recover value;
- given the above, the Bank assesses a number of alternatives, such as the transfer in servicing platforms, and/or sales.

**Income Statement**

Regarding trends in the Income Statement, the Group's net interest income amounted to € 699.5 million during the period ending 30 June 2018 (-16.0% annually), mainly due to the increase of provisions as a result of the IFRS 9 FTA, and thus the lower interest bearing balances, as well as the asset deleveraging, loan yield reduction and fixed income portfolio reduction which have partially been offset by the improvement in cost of funding (primarily ELA).

Net fee and commission income amounted to € 148.7 million approximately at the same level as in the same period in 2017. Total net income in the first half of 2018 amounted to € 910.1 million, reduced by 20.7% against the first half of 2017.

The Group's total operating expenses before provisions in the first half of 2018 stood at € 649.9 million, having increased due to the one-off burden from the voluntrary exit scheme (VES) which took place in the first half of 2018 at a cost of € 132.0 million. Excluding this one-off cost, as well as the one-off salary cost of these employees during the period until their gradual leave, the Group operating expenses dropped by 4.1% in the first half of 2018 compared to the first half of 2017.

As a result of the above, Group profit before provisions, impairment and income tax for the first half of 2018 amounted to € 260.2 million, compared to € 621.2 million in the same period of 2017, as the first half of 2018 was burdened from the non-recurring cost of the VES, while provisions due to IFRS 9 FTA had a significant effect on net interest income.

The results of first half 2018 were burdened by total impairment losses amounting to € 300.4 million, out of which € 245.3 million relating to impairment lossess on loans and advances to customers, further fortifying the Group’s balance sheet and bringing the level of cumulative provisions of the Group to the level of € 14.4 billion, as at 30 June 2018. The level of cumulative provisions enables Management to address effectively the NPLs issue with long-term solutions, something that has already begun to be implemented through the Bank’s Recovery Banking Unit (RBU).

The Group’s profit/ (loss) before income tax in the first half of 2018 amounted to a loss of € 64.2 million versus a loss of € 22.0 million in the first half of 2017, while profit/ loss for the period from continuing operations attributable to shareholders amounted to a loss of € 54.5 million in the first half of 2018 versus a loss of € 3.0 million in the same period of 2017, affected by the non-recurring cost of the VES, as it has already been noted. The discontinued operations posted a loss of € 312.7 million in the first half of 2018. This figure incorporates a debit balance of € 139.1 million of foreign exchange reserves from the banks in Romania and Serbia, which have been sold and its does not have any effect in equity capital, as it had affected them in the past.

**Capital**

As at 30 June 2018, the Group’s total equity amounted to € 7.3 billion from € 9.5 billion as at 31 December 2017, mainly affected by the IFRS 9 FTA impact of € 2.0 billion. The Group’s pro-forma Basel III total capital adequacy ratio as at 30 June 2018 stood at 13.97%, equivalent to the Common Equity Tier 1 (CET-1) ratio. The pro-forma total capital adequacy ratio incorporates the positive effect to risk weighted assets (RWA) of selling subsidiaries in Albania and Bulgaria and the 2 loan portfolios (Amoeba and Arctos), as these transactions had not been concluded by 30 June 2018, nevertheless the effect from their sale had already been taken into account in equity capital. If this positive effect in RWAs is not taken into account, the total capital ratio stood at 13.55% a level that constitutes a marginal breach of Overall Capital Requirement (“OCR”) ratio of 13.625% set by SSM through the Supervisory Review and Evaluation Process (“SREP”). This marginal OCR breach is considered temporary, as following the completion of the abovementioned transactions, the proforma CET-1 ratio will be restored to 13.97%, thus above the OCR ratio. The CET-1 ratio of the Group at a fully loaded basis is estimated at 10.57% taking into account the effect from the sale of discontinued operations in Albania and Bulgaria and the two loan portfolios sale (Amoeba and Arctos).

**Presence**

Piraeus Group branch network as at 30 June 2018 totaled 594 units (-154 units from the beginning of the year, due to international divestments), of which 574 operated in Greece and 20 in 3 other countries (Bank in Ukraine and from one branch in London and Frankfurt). The branch network in Greece was reduced in the first half of 2018 by 46 units, as a result of the rationalization program, and by 131 units abroad, as the subsidiaries in both Bulgaria and Albania have been classified in discontinued operations. At the same time, the Group’s headcount totaled 12,920 employees in the continuing operations, of which 12,451 were employed in Greece and 469 abroad. The total Group headcount including discontinued operations totaled 15,312 employees as at 30 June 2018.

**Going Concern Principle**

The Interim Financial Information has been prepared according to the going concern principle. Management,having taken into consideration the below factors regarding the macroeconomic environment in Greece, the Group's liquidity and capital adequacy, considers that the Interim Financial Information have been properly prepared based on the going concern principle.

**Implementation of the Restructuring Plan**

Piraeus Bank submitted in November 2015 a revised Restructuring Plan to the European Commission, which was approved by the HFSF and on 29 November 2015 by the European Commission as well.

The commitments under the revised plan are in line with the medium-term strategic and financial objectives of the Bank, and do not diverge from the main commitments of the Restructuring Plan approved in 2014. Furthermore, under the revised restructuring plan, the Bank's targeting focuses on its domestic activities in Greece. The revised Restructuring Plan of the Bank was based on macro-economic assumptions as provided by the European Commission as well as regulatory assumptions and comprises, among others, the following principal commitments:

1. the reduction of the number of branches in Greece to a maximum of 650 branches by 31 December 2017;
2. the further reduction of the number of the employees in Greece to a maximum of 13,200 by 31 December 2017 versus the initial commitment to a maximum of 15,350;
3. the reduction of the total operating costs in Greece to a maximum of € 1.1 billion for the year ending 31 December 2017;
4. the reduction of the Bank's cost of funding by 31 December 2018, through the decrease in the cost of deposits collected in Greece in order to restore the Bank's pre-provision profitability;
5. the reduction of the net loan to deposit ratio for Piraeus' Greek banking activities to no higher than 115% by 31 December 2018;
6. annual growth rate of gross loans that cannot be higher than the growth rate of the market as according to the estimates of the European Commission;
7. the further reduction by 30 June 2018, of Piraeus Bank's portfolio of foreign assets;
8. the disposal of the unlisted securities portfolio by 31 December 2017, comprising investments greater than € 5 million (subject to certain exceptions);
9. refraining from purchasing non-investment grade securities until 30 June 2017 (subject to certain exceptions);
10. the implementation of a cap on the remuneration of the Bank's employees and managers;
11. certain other commitments, including restrictions on: (a) payment of dividend on the Bank's common shares until (i) 31/12/2017 or (ii) the repayment of the hybrid capital instruments that have been disbursed as state aid, namely the € 2,040.0 million contingent convertible bonds held by HFSF (whichever occurs earlier) (b) the Bank's ability to make certain acquisitions, unless either exceptional approval is granted by the EU Directorate General for Competition or the acquisition price is lower than a preset limit.

It should be noted that the main macroeconomic assumptions of the Restructuring Plan, were in accordance with the assumptions of Greece's fiscal adjustment programme at the time of the Restructuring Plan's creation.

Piraeus Bank's Restructuring Plan has been almost completed, to date, according to the commitments assumed and within the set time limits and is expected to be concluded in total without delays, with the main pending commitment being the completion of the sale of subsidiaries in Albania (a sale and purchases agreement – SPA – has been signed) and in Bulgaria (at the final stage for the signing of an SPA) (commitment 7 as above).

**Non-Financial Information H1.2018**

Piraeus Bank participates in global initiatives and indices that assess corporate sustainability. Since 2004, the Bank has participated on a voluntary basis in the UN Global Compact. The Bank also participates in the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007 and participates in its initiatives, such as the "Declaration of Intent on Energy Efficiency" and the "Positive Impact Manifesto for the transition to an inclusive green economy".

Regarding the relevant assessment indices, Piraeus Bank is a constituent of the "FTSE4Good Emerging Index", it is also listed in the "Ethibel EXCELLENCE Investment" register, while for CDP the Bank stands at "Management B" score level. The Oekom Research rating agency has upgraded in January 2018 the Bank's performance regarding corporate responsibility to "C-medium" (scale A+ to D-). MSCI ESG Research also upgraded Piraeus Bank to "BB" from "B", positively assessing the Bank's practices of managing systemic risks and its Environmental and Social Management System (ESMS) that were incorporated in order to mitigate environmental and social risks stemming from its lending operations. The Bank received "1 - HIGHER DISCLOSURE" from ISS Corporate Solutions, both in the environmental and the social pillar ("Environmental & Social Quality Score"). The score indicates the identification and excellent management of the relevant environmental and social risks and transparent disclosure practices.

In the context of the Bank's Environmental Policy, Environmental Management Policy and its Climate Change Strategy, has developed and implements an Environmental Management System (EMS) in all its branches and administrative buildings, certified according to the Eco-Management and Audit Scheme (EMAS) regulation and the ISO standard 14001:2015.

Piraeus Bank is committed to reducing its environmental footprint by monitoring the environmental impact of the Bank's operations and implementing environmental management programs, and setting annual environmental targets[1]. Through this implementation, it is estimated that the Bank saves € 5 million annually.

The environmental program "Energy Office", represents an innovative software tool that enables the Bank to monitor in real time the energy consumption of more than 300 of its buildings. With the use of algorithms it improves environmental performance and reduces the Bank's Environmental Footprint. In 2018 the program will expand to approximately 600 buildings.

Environmental data are published annually as part of the Bank's Sustainable Development Report[2] and Environmental Statement[3], and are assured by a certified external firm. In 2017 electricity consumption per employee and paper consumption per employee were reduced annually by 2% and 3% respectively (compared to 2016), while total $CO_2$ emissions per employee were reduced 1%. For 2018 the Bank's Environmental Management System targets are: 2% reduction of total consumption of electricity per square meter, 3% reduction of total paper consumption per employee and 2% reduction of total indirect greenhouse gas emissions, related to

[1] For more information on the Environmental Management System (EMS), targets set for 2018 and the Bank's Environmental Footprint see: https://www.piraeusbankgroup.com/en/corporate-responsibility/environment/environmental-fields-of-action/environmental-management

[2] Sustainable Development Report 2017: http://annual-report.piraeusbankgroup.com/en/#sustainable-environment

[3] Environmental Statement: https://www.piraeusbankgroup.com/en/corporate-responsibility/environment/environmental-fields-of-action/environmental-management/environmental-management-system

electricity per square meter. Through the Climate Risk Management Model it has developed, the Bank calculates annually the climate exposure of its business borrowers from various sectors that are likely to be affected financially by climate change. Total climate exposure of the Bank's business borrowers was estimated at € 541.5 million for 2017, or 1.3% of their total turnover. Only 6.7% of the total business borrowers of the Bank operate in sectors with high climate exposure.

Furthermore, Piraeus Bank follows closely initiatives that emerge internationally to address the climate change (Recommendations from the Task Force on Climate - Related Financial Disclosures of the Financial Stability Board). Following the decisions agreed at the Paris Conference in December 2015 ("Paris Agreement"), the Bank adjusts its policy in order to mitigate the relevant risks but also to take advantage of the opportunities that arise.

Since 2016 the Group has developed procedures for the implementation of the Environmental & Social Management System (ESMS) for the Group's business lending. ESMS consists of procedures and practices for controlling, evaluating and managing the environmental and social risks stemming from the activities of the corporate customers which the Bank finances.

Finally, Piraeus Bank has been participating in the European initiative «EU Business @ Biodiversity Platform». The scope of this Platform is to develop principles, measuring tools and contribute to approaches on the interrelation between entrepreneurship and biodiversity.

Since October 2013, the Bank implements the project LIFE-Stymfalia which incorporates the protection of the bio-diversity of Lake Stymfalia, an EU co-founded by 50% project and expected to conclude in September 2018. With the aforementioned project the Bank introduces for the first time in Greece innovative financing for protected areas.

During the first half of 2018, the reallocation of human resources for the coverage (98.6%) of the Bank's operational needs continued, with particular emphasis on reinforcing the RBU units, with 15 additional employees appointed from the available human resources of the Group. Moreover, the percentage of employees that were promoted reached 11.2% of the total, while the percentage of voluntary exits was only 0.08%, at the same level as the previous year.

As previously mentioned, in the beginning of 2018 the Group announced the Voluntary Exit Scheme (VES) for its employees, for which approximately 1,200 employees have applied and are gradually exiting. The Scheme's terms and conditions were drafted on socially responsible options and a major criterion, among others, was the creation of optimum long-term benefit for the employees.

Aiming to reinforce its policies regarding issues of health and safety in the workplace, the Bank aligned itself with the legislation in force concerning fire-fighting. To this end, since the start of 2018 dedicated fire-fighting groups have been selected covering all premises of the Bank and are currently in the process of training from the local Fire Service departments.

In the course of the first half of 2018, two accidents were recorded in the Bank's premises, both of which were caused exclusively by pre-existing health issues of the employees.

Employees' requests of various nature are now directly fulfilled through HR's innovative electronic applications. Thus, during the first six months of 2018 the following were provided to Group's employees: 20 orthopedic/ergonomic seats to aid with musculoskeletal disorders, 221 cumulative leave schemes dedicated to mothers, 3,602 childcare facility allowances to parents, 424 cash awards to employees and their children, while 1,857 certificates of employment were obtained electronically.

At the same time, the Group's Human Resources & Organizational Training Unit is regularly observing the risk indicators regarding compliance with the legal and regulatory framework, through training on anti-money laundering, employees' psycho-social issue management, combined with the development of action plans to mitigate such risks. To this end, the Bank's Operational Risk Unit monitors closely both the evolution of the risk indicators, as well as the course of the action plans.

In order to ensure that all human resources are aligned with the Bank's integrity principles to the greatest extent possible during their employment, all employees are informed regarding the Bank's Code of Conduct and sign a solemn declaration of the Code's receipt and notification. The Framework of Employee Relations and the Code of Conduct are available at the internal website of the Bank, HR Portal.

Respect for the equal opportunities principle transpires all human resources' management policies, focusing on equal opportunities and respect within the working environment. The Human Rights Policy is available to all employees through the internal communication channel, while the principles of Human Rights policy are published on the Group's corporate website. The respective e-learning seminar "Human Rights, Equal Opportunities and Diversity in the Workplace" has been revised and updated, according to the applicable legislation regarding personal data protection (GDPR).

In alignment with the Bank's internal policies and regulations, the e-learning course regarding "Identification and Management of Risky Behaviors" was also revised, with the aim to mitigate the psycho-social risk within the work environment. This updated e-learning course is expected to be offered to Bank managers during the second half of 2018.

As regards volunteerism, during the first 6 months of 2018, 28 volunteer actions took place in cooperation with 271 organizations (NGOs, educational and public institutions). From these actions, 17,470 people benefited while 21 relate to the promotion of youth entrepreneurship.

Furthermore, the scope and new values of the Group were confirmed, through an internal process of feedback, following a survey involving the participation of 53% of the employees. In order to ensure the integration of these values in the Bank's operational process, these values consist a basic pillar of the new management approach regarding the Bank employees' evaluation system "Become and Achieve". This evaluation system supports the creation of a uniform corporate culture with 3 basic principles: Emphasis on high performance, requirement of management responsibility and personal accountability and is based on mutual trust. To this end, 1,200 manager level employees received training, while an educational campaign describing every step of the process was implemented, including the appointment of a group of representatives. "Become and Achieve" was activated on May 2018 with the first stage, the connection of the employees' personal contribution to team targets.

At the same time, a series of actions were implemented, aiming at the exchange of ideas, initiatives and experiences, in the framework of the new culture emphasizing open communication and dialogue.

In the first half of 2018, the Group's Organizational Training Unit in cooperation with the business units concluded the recording of training needs. Furthermore, the application of the revised strategy of corporate training was put into action, according to which the average training man-hours per employee will be contained (reduction by 10 hours). This is due to its deviation from the respective average recorded in large institutions, which stems from the regular training applied to new products. In this framework, 837 training sessions took place, numbering 33,262 participations, reduced by half versus the respective sessions of the previous year, while an average of 16 training man-hours per employee recorded, also respectively decreased.

The training plan was based on the following four thematic units: Workplace Wellbeing, Banking & Business, People Skills and Leadership Development. In total, 198,981 training man-hours were recorded in both internal and external training programs. Particular emphasis was placed in the Banking & Business section on which 126,254 training hours were assigned. These sessions were attended by 7,806 employees and focused on programs such as the "New Framework Regarding Placement of Investment

Products in the Market", management of risks according to IFRS 9, "Possible Inability to repay", GDPR etc. Among these programs, 21,577 man-hours of training were recorded, attended by 2,293 employees, focusing on combating corruption.

Finally, following up on the disclosure of the employee commitment survey implemented in 2017, titled «Transforming Employee Experience», 2 focus groups of approximately 60 executives took place in the first half of 2018. The scope of these business meetings were to shape action plans to improve selected areas indicated by the survey, with first priority actions.

**Related Party Transactions**

With reference to the transactions of the Bank with related parties, such as members of the Board of Directors and the management of the Bank and its subsidiaries, these were not material in H1.2018, and a relevant detailed reference is included in the Q2.2018 Interim Financial Information Note 23.

**Risk Management**

Risk Management is an area of particular interest and continuous focus for the Bank's senior management having as its target the most effective risk monitoring and control, at the Bank and Group level, and aiming at the preservation of stability and continuity of operations. The prudent application and continuous development of the risk management framework constitutes a priority and is taken into account when designing the operating and strategic plans of the Group.

The Group has established well defined processes and sufficient mechanisms for the control of risk, in order to identify / manage / monitor / report risks.

During the first half of 2018 the major initiatives, aiming at upgrading the Group's Credit Risk Management Framework, were the following:

<u>Credit Risk Management</u>

Credit risk, is defined as the potential risk to realize financial losses stemming from the possibility that counterparties fail to meet their contractual / transactional obligations. Credit risk is the most significant risk for the Group and therefore its effective monitoring and persistent management constitutes a top priority for senior management.

- Participation in the parametrization, automation and integration of basic default calculation parameters (Unlikely To Pay, UCM) into the approval process under the Article 178 of the Capital Requirements Regulation – Regulation EU 575/2013.
- Implementation of projects in order to improve the monitoring of business credit limits and loans as well as the management of troubled assets (automation of the transfer from recovery to core Units report)
- Participation in the review of policies for the approval process and the management of problematic exposures
- Calculation of provisions and ongoing support and optimization of IFRS 9 projects
- Support/participation in the IRB program – projects for the creation of a historic database (continued), a model for governance of examples and a model for the development / validation of models
- Exploited and enhanced risk perception of business units employees, through seminars for the Bank and its domestic subsidiaries (Default Definition, UTP, IFRS 9)
- Development of collateral monitoring framework

Market & Liquidity Risk Management

Market risk is the risk of economic loss due to adverse changes in the level or the volatility of market prices and rates, including interest rates, equity and commodity prices and foreign exchange rates. The Bank measures market risk using the Value at Risk Method (VaR) for both the trading and the available for sale (AFS) portfolios which are measured at fair value through other comprehensive income (OCI). The total VaR ranged at relatively low levels.

Liquidity risk is the risk that a financial institution will not be able to meet its financial obligations as they become due. The Bank acknowledges that the effective management of liquidity risk is positively contributing to the ability to meet financial obligations, without the risk of significant economic losses.

During the first half of 2018 the major initiatives, aiming at upgrading the Group's Market & Liquidity Risk Management Framework, were the following:

- Completion of the further improvement, updating and submission to the Supervisory Authorities of the Internal Liquidity Adequacy Assessment Process (ILAAP)
- Completion of conducting gap analysis and development of a framework for interest rate risk management in the banking book (IRRBB) and stress testing based on EBA requirements
- Completion of the methodology and evolving implementation of the project for the full application of the regulatory framework for the calculation of the regulatory ratios of Liquidity Risk (CRD IV liquidity framework implementation) and the submission of Additional Liquidity Monitoring Metrics reports
- Optimization of the Short Term Liquidity Stress Testing framework by integrating additional risk parameters into the relevant processes
- Development of a model for the recording of liquidity risk in the documents for cooperation proposal and position representing a creditor / creditor's Group
- Update of internal procedures for managing liquidity risk and procedure for managing foreign exchange risk of international subsidiaries
- Modification of flows acquisition of market data with the aim to access data through the Quantify platform of the Bank and reduction of operating cost and risk
- Support / participation in the calculation of the MRM market risk index and performance scenarios, as required under the PRIIPS framework

Operational Risk Management

Operational risk is the risk of a loss stemming from the inadequacy or failure of internal controls and systems, from the human factor or external events.

During the first half of 2018 the major initiatives, aiming at upgrading the Group's Operational Risk Management Framework, were the following:

- Project for the strengthening of the Bank's Internal Audit System (IAS) which has been approved by the Board of Directors Committees and focuses on:

  - the development of a framework for recording and improving control activities, as well as a framework for monitoring and evaluation of their effectiveness
  - the creation of enhanced roles of operational risk representatives (Segment and Unit Liaisons) in the structures of business units, which will act as central reference points for the implementation of the operational risk framework and the IAS
  - strengthening of the role of the Operating Risk Management Unit, which will be connected as a line of reporting with the above structure and will have a pivotal role to IAS issue
- Expansion of both processes and infrastructure for the collection and management of operational risk incidents and losses with emphasis to incidents related to credit risk (continued)
- Development of an Anti-fraud Policy aiming to minimize losses, to protect the reputation of the Bank, to inform the employees and other stakeholders about the Bank's procedures and level of tolerance against the risk of fraud, as well as strengthening the Bank's culture in addressing this risk
- Development of a procedure and framework for the central management of Internal Control Deficiencies, which are recognized from internal and external evaluations, aiming to exploit the relevant findings towards the improvement of the Bank's operational efficiency and towards the achievement of its operational and financial targets
- Improvement of the Product Review, Approval and Control Process through the specification of a clear governance framework, ensuring availability of resources and generating adequate controls at all stages of the procedure
- Development of a measurement and quantification framework, including the measurement of Operational Value-at-Risk (OpRisk Var) (continued)

Capital Management

- Coordination, management and implementation of planned projects for the Group's transition to IRB approach for credit risk
- Upgrade of the tool estimating risk weighted assets and completion of a pilot test in the framework of the 2nd phase of the project for the expansion of the use of credit risk weighted assets in the approval process (cooperation proposal and position), a project aiming to strengthen the business decision procedure and the optimization of regulatory capital use
- Conduct of tests for the quantitative impact of future regulations on capital adequacy (new standardized approach for credit risk, counterparty risk, CVA, Fundamental Review of the Trading Book – FRTB), and actions for the acquisition of intermediate tools for FRTB calculation
- Implementation of the project for the incorporation of the provisions of Regulation (EU) 2017/2395 on the transitional application of IFRS 9 provisions in the regulatory capital and the calculated capital adequacy ratios
- Review and update of the internal Stress-Testing Framework

During the same period Group Risk Coordination & Model Validation and Corporate Credit Control Units focused on the following actions:

Group Risk Coordination & Model Validation

- Coordination of implementation of a Risk Based Pricing system for Corporate and SME loans
- Development of Risk & Capital Strategy and the framework for Risk Appetite Framework for 2018 at a Group level
- Evaluation of Risk Management Policies for the Bank's Subsidiaries for the purpose of further improvement and alignment with the Group's Risk Management Framework
- Completion of the development of the Model Validation Framework
- Completion of the initial validation of Staging Projection Models
- Completion of the validation of the PRC Provision Calculator Model for Shipping creditors

Corporate Credit Control

- Conduct of independent assessments and regular monitoring of developments in the quality of post approval credit exposures as well as of review practices of the Group's business portfolio credit risk. During the first half of 2018 the assessment of 5 corporate portfolios (€ 2.6 billion loans) was completed
- Revision of the Charter & Policy manual
- Carried out pilot calculations based on Risk Based Pricing Model for defining the threshold cost for the new long-term financing /refinancing of the core portfolio to be approved by the Bank's senior committees and accordingly informing the members of the approval committees.

**Estimates for the Development of Piraeus Group's Operations in H2.2018**

With the completion of the economic adjustment programs (2010-2018), a significant number of structural reforms at fiscal, tax and financial level were completed. Although the country's public debt remains high, the improved prospects for the domestic economy are gradually supporting the economic climate, while leading to an upgrading of the country's credit ratings by international rating agencies.

The smooth exit from the program implies significant challenges for Greece, which must continue to strengthen the confidence in international level, the financial stability and the increase of economic activity through the attraction of investments and the sharp reduction of unemployment, while maintaining the positive dynamics of reforms and the necessary change of the development model.

The prospects for the banks in Greece are in line with the prospects of the Greek economy.

Especially for Piraeus Bank, the accelerated smoothing process, which it has entered, is mainly recorded through the significant reduction of NPEs and the steady return of deposits, the nullification of ELA funding since July 2018 and the further improvement of its funding profile.

The main objective of the Bank's new Management it to further strengthen the Group's balance sheet. As a result, the Group has recognized totally € 3.5 billion of provisions in the previous 3 quarters, including the IFRS 9 FTA impact, while accelerating the process of cleaning up NPEs through the € 4.4 billion reduction of NPEs during the same period, while increasing the coverage ratio of NPEs to 48.8% at the end of June 2018, increased by 3 percentage points on an annual basis.

In parallel, during 2017 and 2018, the Bank has been through supervisory reviews, including Credit File Reviews (performed on a loan portfolio of € 13.5 billion) and review of collective provisions (performed on a loan portfolio of € 39.2 billion).

The actions already taken by Management, along with the ongoing recoverability/restructuring actions, strengthening of internal controls & governance, and the successful conclusion of the capital enhancement plan, address supervisory expectations and input from these reviews.

Piraeus Bank, in the context of its business planning, is concentrating on all potentials and opportunities for recovery. The main issues to address for H2 2018 remain: a) improvement of asset quality, through the consistent achievement of the active management of the NPEs in order to comply with the commitments to the ECB, b) the improvement of liquidity through the gradual restoration of deposits. Moreover, the effort for further deleverage of the Bank's foreign assets, is expected to conclude, in accordance to the commitments of the Restructuring Plan.

The Bank has committed to play a leading role in the restart and development of the Greek economy by actively supporting economic activity and extroversion through specialized and personalized solutions and high-level services to its approximately 5.2 million customers.

On behalf of the Board of Directors

George Handjinicolaou
Chairman of the Board

31 August 2018

## ESMA´s ALTERNATIVE PERFORMANCE MEASURES (APM) AT GROUP LEVEL

| # | Performance Measure | Definition |
|---|---|---|
| 1 | PPA adjustment | Purchase price allocation (PPA) adjustments relating to the acquisition of the seven banks [i.e. 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.] amounting to € 4.6 billion as at 30 June 2018 and to € 5.8 billion as at 31 December 2017, (“PPA adjustment”) |
| 2 | Gross Loans before impairments and adjustments / Gross Loans | Loans and advances to customers before allowances for impairments on loan losses gross of PPA adjustments |
| 3 | Net Loans | Loans and advances to customers |
| 4 | Net Loans to Deposits Ratio | Net loans over deposits due to customers |
| 5 | NPLs - Non Performing Loans | Loans and advances to customers in arrears over 90 days past due gross of PPA adjustments |
| 6 | NPEs - Non Performing Exposures | On balance sheet credit exposures before allowances for impairments on loan losses gross of PPA adjustments that are: (a) past due over 90 days; (b) impaired or those which the debtor is deemed as unlikely to repay its obligations in full without liquidating collateral, regardless of the existence of any past due amount or the number of past due days; (c) forborne and still within the probation period under EBA rules; (d) subject to contagion from (a) under EBA rules |
| 7 | Coverage Ratio of Loans in Arrears over 90 days (NPLs) by cumulative provisions | Allowances for impairment on loan losses gross of PPA adjustments |
| 8 | NPE Coverage Ratio by cumulative provisions | Allowances for impairment on loan losses gross of PPA adjustments |
| 9 | Net Result | Profit / (loss) for the period attributable to equity holders of the parent |
| 10 | Cumulative Provisions | Allowance for impairment on loans and advances to customers gross of PPA adjustment |
| 11 | Cumulative Provisions over Loans | Cumulative provisions for loans and advances to customers over gross loans before impairments and adjustments. |
| 12 | Pre Tax Results | Profit / (loss) before income tax |
| 13 | CET1 phased-in (pro-forma) ratio | CET1 capital ratio taking into account the positive effect to risk weighted assets (RWA) of selling subsidiaries in Albania and Bulgaria and 2 loan portfolios (Amoeba and Arctos). |
| 14 | CET1 fully loaded (pro-forma) ratio | CET1 capital ratio IFRS 9 fully loaded taking into account the positive effect to risk weighted assets (RWA) of selling subsidiaries in Albania and Bulgaria and 2 loan portfolios (Amoeba and Arctos). |
| 15 | Balance sheet | Statement of Financial Position |

The Board of Directors’ Report contains financial information and measures as derived from the Group and the Bank’s Interim Financial Information for the periods ended 30 June 2018 and 30 June 2017 which have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” or the Annual Financial Statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as endorsed by the EU. Additionally, it contains financial data which is compiled as a normal part of our Financial Statement Closing Process and management information systems. For instance, financial items are categorized as foreign or domestic on the basis of the jurisdiction of organization of the individual Group entity whose separate financial statements record such items.

Moreover, it contains references to certain measures which are not defined under the IFRSs. These measures are non-IFRS financial measures. A non-IFRS financial measure is a measure that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. Management believes that the non-IFRS financial measures used, presents a more meaningful analysis of the Group's financial condition and results of operations. However, the non-IFRS financial measures presented are not a substitute for IFRS measures.

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**TRUE TRANSLATION**

# REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the shareholders of "Piraeus Bank S.A."

## Introduction

We have reviewed the accompanying separate and consolidated interim statement of financial position of the Bank and the Group of "Piraeus Bank S.A." (the "Group") as of 30 June 2018 and the related separate and consolidated interim statements of income, total comprehensive income, changes in equity and cash flows for the six month period then ended, as well as the selective explanatory notes, which together comprise the six month interim financial information and which represent an integral part of the six month interim financial report provided under Law 3556/2007. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as endorsed by the European Union and applicable to Interim Financial Reporting (International Accounting Standard "IAS" 34). Our responsibility is to express a conclusion on this separate and consolidated interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as transposed in Greek legislation, and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

## Report on Other Legal and Regulatory Requirements

Our review has not revealed any inconsistency or discrepancy in the content of the other information in the six month interim financial report provided under article 5 of Law 3556/2007 when compared to the accompanying interim financial information.

Athens, 31 August 2018

The Certified Public Accountant

Dimitris Koutsos- Koutsopoulos
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PIRAEUS BANK

# PIRAEUS BANK GROUP

## Interim Financial Information

30 June 2018

## Index to the Interim Financial Information



### Notes to the Interim Financial Information

Amounts in thousand euros (Unless otherwise stated)

| INTERIM INCOME STATEMENT | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | Period from 1 January to | | Period from 1 January to | |
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| Interest and similar income | 7 | 953,848 | 1,127,819 | 943,282 | 1,120,354 |
| Interest expense and similar charges | 7 | (254,370) | (295,399) | (256,830) | (303,963) |
| **NET INTEREST INCOME** | | **699,478** | **832,420** | **686,452** | **816,391** |
| Fee and commission income | | 180,179 | 177,444 | 149,750 | 150,133 |
| Fee and commission expense | | (31,495) | (28,054) | (31,521) | (31,976) |
| **NET FEE AND COMMISSION INCOME** | | **148,684** | **149,390** | **118,229** | **118,158** |
| Dividend income | | 6,705 | 5,779 | 6,339 | 12,962 |
| Net income/ (losses) from financial instruments measured at fair value through profit or loss | | 23,635 | 29,959 | 20,421 | 29,716 |
| Results from investment securities | | - | 29,078 | - | 28,527 |
| Results from the disposal of participation of subsidiaries and associates | | (19,157) | (173) | (26,009) | - |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | | 17,165 | - | 17,165 | - |
| Other income/ (expenses) | | 33,575 | 100,851 | 997 | (20,396) |
| **TOTAL NET INCOME** | | **910,085** | **1,147,305** | **823,594** | **985,358** |
| Staff costs | 8 | (384,412) | (264,395) | (363,076) | (246,659) |
| Administrative expenses | | (211,570) | (213,697) | (202,453) | (210,466) |
| Depreciation and amortisation | | (51,572) | (46,967) | (46,807) | (44,186) |
| Gains/ (losses) from sale of property and equipment and intangible assets | | (2,299) | (1,067) | (2,409) | (1,065) |
| **TOTAL OPERATING EXPENSES BEFORE PROVISIONS** | | **(649,853)** | **(526,126)** | **(614,745)** | **(502,377)** |
| **PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX** | | **260,232** | **621,178** | **208,849** | **482,981** |
| Impairment losses on loans and advances to customers | 13 | (245,275) | (522,208) | (269,978) | (516,728) |
| Impairment losses on other assets | | (20,009) | (17,272) | (17,450) | (17,168) |
| Impairment (losses)/ releases on financial assets at fair value through other comprehensive income | | 7,222 | - | 7,222 | - |
| Impairment on participations | 14 | (49,795) | (2) | (82,668) | (42,289) |
| Other impairment losses | | (3,974) | (70,634) | (4,074) | (5,261) |
| Other provision releases/ (charges) | | 11,426 | (6,664) | 12,687 | 35,274 |
| Share of profit/ (loss) of associates and joint ventures | | (23,989) | (26,405) | - | - |
| **PROFIT/ (LOSS) BEFORE INCOME TAX** | | **(64,162)** | **(22,007)** | **(145,412)** | **(63,191)** |
| Income tax benefit/ (expense) | 10 | 6,425 | 23,477 | 21,436 | 28,573 |
| **PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **(57,736)** | **1,470** | **(123,976)** | **(34,618)** |
| Profit/ (loss) after income tax from discontinued operations | 9 | (312,656) | (77,772) | - | - |
| **PROFIT/ (LOSS) FOR THE PERIOD** | | **(370,393)** | **(76,301)** | **(123,976)** | **(34,618)** |
| **From continuing operations** | | | | | |
| Profit/ (loss) attributable to equity holders of the Bank | | (54,515) | 3,028 | | |
| Non controlling interest | | (3,222) | (1,558) | | |
| **From discontinued operations** | | | | | |
| Profit/ (loss) attributable to equity holders of the Bank | | (311,924) | (77,993) | | |
| Non controlling interest | | (733) | 221 | | |
| **Earnings/ (losses) per share attributable to equity holders of the Bank (in €):** | | | | | |
| From continuing operations | | | | | |
| - Basic and diluted | 11 | (0.1249) | 0.0069 | | |
| From discontinued operations | | | | | |
| - Basic and diluted | 11 | (0.7147) | (0.1787) | | |

Amounts in thousand euros (Unless otherwise stated)

| INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | Period from 1 January to | | Period from 1 January to | |
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| **CONTINUING OPERATIONS** | | | | | |
| **Profit/ (loss) for the period (A)** | | **(57,736)** | **1,470** | **(123,976)** | **(34,618)** |
| **Other comprehensive income, net of tax:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | (26,224) | - | (26,179) | - |
| Change in available for sale reserve | 12 | - | 42,930 | - | 42,324 |
| Change in currency translation reserve | 12 | 4,561 | (4,531) | - | - |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | 4,147 | - | 4,147 | - |
| Change in reserve of defined benefit obligations | 12 | (210) | (7) | - | - |
| **Other comprehensive income, net of tax (B)** | 12 | **(17,726)** | **38,392** | **(22,032)** | **42,324** |
| **Total comprehensive income, net of tax (A)+(B)** | | **(75,462)** | **39,862** | **(146,009)** | **7,707** |
| - Attributable to equity holders of the Bank | | (72,237) | 41,412 | | |
| - Non controlling interest | | (3,226) | (1,550) | | |
| **DISCONTINUED OPERATIONS** | | | | | |
| **Profit/ (loss) for the period (C)** | | **(312,656)** | **(77,772)** | | |
| **Other comprehensive income, net of tax:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | 80 | - | | |
| Change in available for sale reserve | 12 | - | (57) | | |
| Change in currency translation reserve | 12 | 144,792 | 3,910 | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | 237 | - | | |
| Change in reserve of defined benefit obligations | 12 | (54) | - | | |
| **Other comprehensive income, net of tax (D)** | 12 | **145,054** | **3,854** | | |
| **Total comprehensive income, net of tax (C)+(D)** | | **(167,602)** | **(73,918)** | | |
| - Attributable to equity holders of the Bank | | (166,945) | (74,159) | | |
| - Non controlling interest | | (657) | 241 | | |

Amounts in thousand euros (Unless otherwise stated)

| INTERIM INCOME STATEMENT | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | Period from 1 April to | | Period from 1 April to | |
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| Interest and similar income | | 476,446 | 557,828 | 468,124 | 556,450 |
| Interest expense and similar charges | | (127,345) | (144,907) | (128,259) | (149,425) |
| **NET INTEREST INCOME** | | **349,101** | **412,921** | **339,865** | **407,024** |
| Fee and commission income | | 92,277 | 92,194 | 76,721 | 78,119 |
| Fee and commission expense | | (17,751) | (15,934) | (17,729) | (17,663) |
| **NET FEE AND COMMISSION INCOME** | | **74,527** | **76,261** | **58,992** | **60,456** |
| Dividend income | | 6,584 | 5,625 | 6,225 | 5,418 |
| Net income/ (losses) from financial instruments measured at fair value through profit or loss | | 25,475 | 22,378 | 25,387 | 21,914 |
| Results from investment securities | | - | 8,039 | - | 8,037 |
| Results from the disposal of participation of subsidiaries and associates | | (23,607) | - | (30,322) | - |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | | 6,561 | - | 6,561 | - |
| Other income/ (expenses) | | 21,410 | 102,345 | (1,396) | (22,327) |
| **TOTAL NET INCOME** | | **460,050** | **627,569** | **405,312** | **480,522** |
| Staff costs | | (125,089) | (132,558) | (114,160) | (123,594) |
| Administrative expenses | | (112,007) | (105,352) | (105,693) | (103,606) |
| Depreciation and amortisation | | (24,794) | (22,899) | (23,157) | (21,998) |
| Gains/ (losses) from sale of property and equipment and intangible assets | | (2,336) | (93) | (2,428) | (54) |
| **TOTAL OPERATING EXPENSES BEFORE PROVISIONS** | | **(264,226)** | **(260,902)** | **(245,438)** | **(249,252)** |
| **PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX** | | **195,824** | **366,667** | **159,875** | **231,270** |
| Impairment losses on loans and advances to customers | | (82,098) | (264,031) | (89,083) | (261,699) |
| Impairment losses on other assets | | (9,401) | (10,418) | (8,937) | (10,410) |
| Impairment (losses)/ releases on financial assets at fair value through other comprehensive income | | (7,908) | - | (7,908) | - |
| Impairment on participations | | (31,757) | (2) | (82,668) | (13,189) |
| Other impairment losses | | (2,906) | (69,109) | (3,054) | (3,736) |
| Other provision releases/ (charges) | | 5,109 | (5,561) | 5,159 | 36,355 |
| Share of profit/ (loss) of associates and joint ventures | | (15,685) | (19,280) | - | - |
| **PROFIT/ (LOSS) BEFORE INCOME TAX** | | **51,179** | **(1,734)** | **(26,617)** | **(21,409)** |
| Income tax benefit/ (expense) | | (28,968) | 10,448 | (17,125) | 12,182 |
| **PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **22,210** | **8,714** | **(43,742)** | **(9,228)** |
| Profit/ (loss) after income tax from discontinued operations | | (309,549) | (77,204) | - | - |
| **PROFIT/ (LOSS) FOR THE PERIOD** | | **(287,338)** | **(68,490)** | **(43,742)** | **(9,228)** |
| **From continuing operations** | | | | | |
| Profit/ (loss) attributable to equity holders of the Bank | | 24,004 | 9,799 | | |
| Non controlling interest | | (1,794) | (1,084) | | |
| **From discontinued operations** | | | | | |
| Profit/ (loss) attributable to equity holders of the Bank | | (308,840) | (77,308) | | |
| Non controlling interest | | (709) | 103 | | |
| **Earnings/ (losses) per share attributable to equity holders of the Bank (in €):** | | | | | |
| From continuing operations | | | | | |
| - Basic and diluted | 11 | 0.0550 | 0.0225 | | |
| From discontinued operations | | | | | |
| - Basic and diluted | 11 | (0.7075) | (0.1771) | | |

Amounts in thousand euros (Unless otherwise stated)

| INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | Period from 1 April to | | Period from 1 April to | |
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| **CONTINUING OPERATIONS** | | | | | |
| **Profit/ (loss) for the period (A)** | | **22,210** | **8,714** | **(43,742)** | **(9,228)** |
| **Other comprehensive income, net of tax:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | | 6,890 | - | 6,435 | - |
| Change in available for sale reserve | | - | 30,543 | - | 30,224 |
| Change in currency translation reserve | | 3,140 | (4,157) | - | - |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | | 786 | - | 780 | - |
| Change in reserve of defined benefit obligations | | 374 | - | - | - |
| **Other comprehensive income, net of tax (B)** | | **11,190** | **26,386** | **7,215** | **30,224** |
| **Total comprehensive income, net of tax (A)+(B)** | | **33,400** | **35,100** | **(36,527)** | **20,997** |
| - Attributable to equity holders of the Bank | | 35,110 | 36,174 | | |
| - Non controlling interest | | (1,710) | (1,074) | | |
| **DISCONTINUED OPERATIONS** | | | | | |
| **Profit/ (loss) for the period (C)** | | **(309,549)** | **(77,204)** | | |
| **Other comprehensive income, net of tax:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | | (551) | - | | |
| Change in available for sale reserve | | - | 555 | | |
| Change in currency translation reserve | | 143,436 | 5,451 | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | | 185 | - | | |
| Change in reserve of defined benefit obligations | | (146) | - | | |
| **Other comprehensive income, net of tax (D)** | | **142,925** | **6,006** | | |
| **Total comprehensive income, net of tax (C)+(D)** | | **(166,624)** | **(71,198)** | | |
| - Attributable to equity holders of the Bank | | (165,920) | (71,330) | | |
| - Non controlling interest | | (704) | 132 | | |

Amounts in thousand euros (Unless otherwise stated)

| INTERIM STATEMENT OF FINANCIAL POSITION | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| **ASSETS** | | | | | |
| Cash and balances with Central Banks | | 864,232 | 1,449,240 | 849,494 | 1,154,395 |
| Loans and advances to credit institutions | | 1,019,147 | 2,147,758 | 1,021,865 | 2,091,669 |
| Financial assets at fair value through profit or loss | | 943,056 | 1,499,824 | 922,563 | 1,476,244 |
| Financial assets mandatorily at fair value through profit or loss | | 122,889 | - | 122,888 | - |
| Derivative financial instruments - assets | | 372,822 | 459,993 | 372,825 | 461,402 |
| Reverse repos with customers | | 255,904 | 90,253 | 255,904 | 88,874 |
| Loans and advances to customers | 13 | 39,478,700 | 44,719,530 | 40,302,417 | 44,884,572 |
| Financial assets at fair value through other comprehensive income | | 1,135,210 | - | 1,127,230 | - |
| Available for sale securities | 3 | - | 2,203,803 | - | 2,019,464 |
| Debt securities - receivables | 3 | - | 23,109 | - | 23,109 |
| Assets held for sale | | 486,761 | 18,110 | 632,349 | 183,367 |
| Investment property | | 1,154,854 | 1,120,627 | 418,515 | 400,172 |
| Investments in subsidiaries | | - | - | 607,225 | 810,928 |
| Investments in associated undertakings and joint ventures | 14 | 138,088 | 251,374 | 187,340 | 246,020 |
| Property and equipment | | 1,048,933 | 1,041,435 | 908,654 | 898,367 |
| Intangible assets | | 294,768 | 300,771 | 255,270 | 256,292 |
| Current tax assets | | 216,094 | 219,157 | 215,706 | 217,405 |
| Deferred tax assets | | 6,558,932 | 6,542,813 | 6,507,397 | 6,483,830 |
| Other assets | | 3,157,446 | 3,045,223 | 3,003,714 | 2,795,119 |
| Assets from discontinued operations | 9 | 1,974,195 | 2,283,542 | - | - |
| **TOTAL ASSETS** | | **59,222,031** | **67,416,562** | **57,711,357** | **64,491,230** |
| **LIABILITIES** | | | | | |
| Due to credit institutions | 15 | 5,558,962 | 11,435,086 | 5,768,999 | 11,771,541 |
| Due to customers | 16 | 42,102,483 | 42,715,252 | 42,288,806 | 41,300,806 |
| Liabilities at fair value through profit or loss | 17 | 74,793 | - | 74,793 | - |
| Derivative financial instruments - liabilities | | 388,616 | 402,233 | 388,635 | 403,881 |
| Debt securities in issue | 18 | 530,779 | 435,277 | 530,779 | 435,277 |
| Current income tax liabilities | | 8,560 | 2,437 | - | - |
| Deferred tax liabilities | | 36,034 | 34,432 | - | - |
| Retirement benefit obligations | | 229,928 | 194,162 | 226,241 | 187,932 |
| Other provisions | 19 | 185,702 | 52,959 | 176,424 | 105,324 |
| Other liabilities | | 916,400 | 959,670 | 844,108 | 859,825 |
| Liabilities from discontinued operations | 9 | 1,842,828 | 1,640,856 | - | - |
| **TOTAL LIABILITIES** | | **51,875,085** | **57,872,365** | **50,298,785** | **55,064,587** |
| **EQUITY** | | | | | |
| Share capital (ordinary shares) | 21 | 2,619,955 | 2,619,955 | 2,619,955 | 2,619,955 |
| Share premium | 21 | 13,074,688 | 13,074,688 | 13,074,688 | 13,074,688 |
| Contingent convertible securities | 21 | 2,040,000 | 2,040,000 | 2,040,000 | 2,040,000 |
| Less: Treasury shares | 21 | (1,592) | (379) | - | - |
| Other reserves | 22 | 173,895 | 11,022 | 163,543 | 159,754 |
| Retained earnings | 22 | (10,681,780) | (8,326,871) | (10,485,614) | (8,467,755) |
| **Capital and reserves attributable to equity holders of the parent entity** | | **7,225,166** | **9,418,415** | **7,412,572** | **9,426,642** |
| Non controlling interest | | 121,780 | 125,782 | - | - |
| **TOTAL EQUITY** | | **7,346,946** | **9,544,198** | **7,412,572** | **9,426,642** |
| **TOTAL LIABILITIES AND EQUITY** | | **59,222,031** | **67,416,562** | **57,711,357** | **64,491,230** |

Amounts in thousand euros (Unless otherwise stated)

| GROUP - INTERIM STATEMENT OF CHANGES IN EQUITY | Note | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital | Share Premium | Contingent Convertible securities | Treasury shares | Other reserves | Retained earnings | Attributable to owners of the parent | Non controlling interest | TOTAL |
| **Opening balance as at 1 January 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(842)** | **(65,845)** | **(8,004,334)** | **9,663,623** | **160,116** | **9,823,739** |
| Other comprehensive income, net of tax | 12 | - | - | - | - | 42,217 | - | 42,217 | 28 | 42,245 |
| Profit/ (loss) after tax for the period 1/1 - 30/6/2017 | 22 | - | - | - | - | - | (74,965) | (74,965) | (1,337) | (76,301) |
| **Total recognized income for the period 1/1 - 30/6/2017** | | **0** | **0** | **0** | **0** | **42,217** | **(74,965)** | **(32,748)** | **(1,308)** | **(34,056)** |
| (Purchases)/ sales of treasury shares | 21, 22 | - | - | - | (615) | - | 232 | (382) | - | (382) |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | (2,057) | 2,057 | - | - | 0 |
| Movement in participating interest | 22 | - | - | - | - | - | (10,832) | (10,832) | (30,737) | (41,569) |
| **Balance as at 30 June 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(1,456)** | **(25,685)** | **(8,087,840)** | **9,619,662** | **128,071** | **9,747,732** |
| | | | | | | | | | | |
| **Opening balance as at 1 July 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(1,456)** | **(25,685)** | **(8,087,840)** | **9,619,662** | **128,071** | **9,747,732** |
| Other comprehensive income, net of tax | | - | - | - | - | 38,763 | - | 38,763 | 86 | 38,849 |
| Profit/ (loss) after tax for the period 1/7 - 31/12/2017 | 22 | - | - | - | - | - | (125,431) | (125,431) | (2,573) | (128,004) |
| **Total recognised income for the period 1/7 - 31/12/2017** | | **0** | **0** | **0** | **0** | **38,763** | **(125,431)** | **(86,668)** | **(2,487)** | **(89,155)** |
| Payment to the holders of contingent convertible securities (net of tax) | 22 | - | - | - | - | - | (117,481) | (117,481) | - | (117,481) |
| Prior year dividends of ordinary shares | | - | - | - | - | - | - | - | (24) | (24) |
| (Purchases)/ sales of treasury shares | 21, 22 | - | - | - | 1,077 | - | (315) | 762 | - | 762 |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | (2,056) | 2,056 | - | - | 0 |
| Disposals, liquidations and movement in participating interest | 22 | - | - | - | - | - | 2,140 | 2,140 | 223 | 2,364 |
| **Balance as at 31 December 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(379)** | **11,022** | **(8,326,871)** | **9,418,415** | **125,783** | **9,544,198** |
| | | | | | | | | | | |
| **IFRS 9 Transition impact on Equity** | 3 | **0** | **0** | **0** | **0** | **39,680** | **(1,981,352)** | **(1,941,672)** | **(107)** | **(1,941,779)** |
| | | | | | | | | | | |
| **Opening balance as at 1 January 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **(379)** | **50,702** | **(10,308,223)** | **7,476,743** | **125,676** | **7,602,419** |
| Other comprehensive income, net of tax | 12 | - | - | - | - | 127,256 | - | 127,256 | 72 | 127,328 |
| Profit/ (loss) after tax for the period 1/1 - 30/6/2018 | 22 | - | - | - | - | - | (366,438) | (366,438) | (3,955) | (370,393) |
| **Total recognised income for the period 1/1  - 30/6/2018** | | **0** | **0** | **0** | **0** | **127,256** | **(366,438)** | **(239,182)** | **(3,883)** | **(243,065)** |
| (Purchases)/ sales of treasury shares | 21, 22 | - | - | - | (1,214) | - | (126) | (1,339) | - | (1,339) |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | 1,235 | (1,235) | - | - | 0 |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | 22 | - | - | - | - | - | 99 | 99 | - | 99 |
| Disposals, liquidations and movement in participating interest | 22 | - | - | - | - | (5,298) | (5,857) | (11,156) | (13) | (11,168) |
| **Balance as at 30 June 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **(1,592)** | **173,895** | **(10,681,780)** | **7,225,166** | **121,779** | **7,346,945** |

Amounts in thousand euros (Unless otherwise stated)

| BANK - INTERIM STATEMENT OF CHANGES IN EQUITY | Note | Share Capital | Share Premium | Contingent Convertible Securities | Other reserves | Retained earnings | TOTAL |
|---|---|---|---|---|---|---|---|
| **Opening balance as at 1 January 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **75,163** | **(8,353,025)** | **9,456,781** |
| Other comprehensive income, net of tax | | - | - | - | 42,324 | - | 42,324 |
| Profit/ (loss) for the period 1/1/2017 - 30/6/2017 | 12 | - | - | - | - | (34,618) | (34,618) |
| **Total recognized income for the period 1/1/2017 - 30/6/2017** | 22 | **0** | **0** | **0** | **42,324** | **(34,618)** | **7,707** |
| **Balance as at 30 June 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **117,488** | **(8,387,643)** | **9,464,488** |
| **Opening balance as at 1 July 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **117,488** | **(8,387,643)** | **9,464,488** |
| Other comprehensive income, net of tax | | - | - | - | 42,266 | - | 42,266 |
| Profit/ (loss) for the period 1/7/2017 - 31/12/2017 | 22 | - | - | - | - | 37,370 | 37,370 |
| **Total recognized income for the period 1/7/2017 - 31/12/2017** | | **0** | **0** | **0** | **42,266** | **37,370** | **79,636** |
| Payment to the holders of contingent convertible securities (net of tax) | 22 | - | - | - | - | (117,481) | (117,481) |
| **Balance as at 31 December 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **159,754** | **(8,467,755)** | **9,426,642** |
| **IFRS 9 Transition impact on Equity** | 3 | - | - | - | **25,821** | **(1,893,981)** | **(1,868,160)** |
| **Opening balance as at 1 January 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **185,575** | **(10,361,736)** | **7,558,482** |
| Other comprehensive income, net of tax | 12 | - | - | - | (22,032) | - | (22,032) |
| Profit/ (loss) for the period 1/1/2018 - 30/6/2018 | 22 | - | - | - | - | (123,976) | (123,976) |
| **Total recognized income for the period 1/1/2018 - 30/6/2018** | | **0** | **0** | **0** | **(22,032)** | **(123,976)** | **(146,009)** |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | 22 | - | - | - | - | 99 | 99 |
| **Balance as at 30 June 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **163,542** | **(10,485,613)** | **7,412,573** |

Amounts in thousand euros (Unless otherwise stated)

| INTERIM CASH FLOW STATEMENT | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | Period from 1 January to | | Period from 1 January to | |
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| *Cash flows from operating activities from continuing operations* | | | | | |
| Profit/ (Loss) before tax | | (64,162) | (22,007) | (145,412) | (63,191) |
| *Adjustments to profit/ loss before tax:* | | | | | |
| Add: provisions and impairment | | 300,405 | 616,780 | 354,261 | 546,172 |
| Add: depreciation and amortisation charge | | 51,572 | 46,967 | 46,807 | 44,186 |
| Add: retirement benefits and cost of voluntary exit scheme | | 139,191 | 4,391 | 132,822 | 3,666 |
| (Gains)/ losses from valuation of financial instruments at fair value through profit or loss | | (9,157) | (18,632) | (9,909) | (17,557) |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | | (17,165) | - | (17,165) | - |
| (Gains)/ losses from investing activities | | 39,770 | 212,993 | 27,011 | (4,562) |
| *Cash flows from operating activities before changes in operating assets and liabilities* | | 440,454 | 840,494 | 388,416 | 508,714 |
| | | | | | |
| *Changes in operating assets and liabilities:* | | | | | |
| Net (increase)/ decrease in cash and balances with Central Banks | | 195,588 | (68,514) | 196,202 | (68,857) |
| Net (increase)/ decrease in financial instruments at fair value through profit or loss | | (693,736) | 49,823 | (695,929) | (8,212) |
| Net (increase)/ decrease in financial assets mandatorily at fair value through profit or loss | | 3,665 | - | 3,570 | - |
| Net (increase)/ decrease in debt securities - receivables | | - | 4,652,825 | - | 4,652,825 |
| Net (increase)/ decrease in loans and advances to credit institutions | | 72,056 | 242,967 | 196,164 | 251,909 |
| Net (increase)/ decrease in loans and advances to customers | | 2,168,477 | 2,484,779 | 2,079,762 | 2,434,940 |
| Net (increase)/ decrease in reverse repos with customers | | (167,030) | (15,937) | (167,030) | (15,937) |
| Net (increase)/ decrease in other assets | | (237,023) | (113,809) | (205,477) | 30,065 |
| Net increase/ (decrease) in amounts due to credit institutions | | (5,892,530) | (5,937,559) | (6,002,542) | (5,944,777) |
| Net increase/ (decrease) in liabilities at fair value through profit or loss | | 73,962 | 10,046 | 73,962 | 10,046 |
| Net increase/ (decrease) in amounts due to customers | | 991,435 | (1,166,214) | 988,000 | (1,147,540) |
| Net increase/ (decrease) in other liabilities | | (133,813) | (564,869) | (119,054) | (281,050) |
| *Net cash flow from operating activities before income tax payment* | | (3,178,495) | 414,033 | (3,263,955) | 422,126 |
| Income tax paid | | (3) | (2) | - | - |
| **Net cash inflow/ (outflow) from continuing operating activities** | | **(3,178,498)** | **414,031** | **(3,263,955)** | **422,126** |
| | | | | | |
| *Cash flows from investing activities of continuing operations* | | | | | |
| Purchases of property and equipment | | (73,232) | (83,646) | (63,005) | (62,497) |
| Sales of property and equipment and intangible assets | | 19,668 | 2,591 | 3,689 | 2,273 |
| Purchases of intangible assets | | (13,504) | (14,105) | (13,292) | (13,336) |
| Purchases of assets held for sale | | (438) | (1,783) | - | (2,400) |
| Sales of assets held for sale | | 15 | - | - | - |
| Purchases of financial assets at fair value through other comprehensive income | | (415,772) | - | (415,772) | - |
| Disposals of financial assets at fair value through other comprehensive income | | 1,041,299 | - | 1,036,810 | - |
| Purchases of investment securities | | - | (7,060,459) | - | (7,052,587) |
| Disposals/ maturity of investment securities | | - | 6,291,631 | - | 6,278,219 |
| Disposals of subsidiaries excluding cash & cash equivalents disposed | | 150,466 | - | 150,467 | - |
| Participation in share capital increases of associates | 24 | (29,175) | (321) | (29,175) | (167) |
| Acquisition of subsidiaries and participation in share capital increases/(decreases) | | - | (2,400) | - | (58) |
| Sales of associates | | 9,434 | - | 9,434 | - |
| Dividends received | | 6,122 | 5,520 | 5,756 | 12,702 |
| **Net cash inflow/ (outflow) from continuing investing activities** | | **694,883** | **(862,972)** | **684,911** | **(837,851)** |
| | | | | | |
| *Cash flows from financing activities of continuing operations* | | | | | |
| Net proceeds from issue/ (repayment) of debt securities and other borrowed funds | | 95,501 | (11,685) | 95,501 | (11,685) |
| Purchases/ sales of treasury shares and preemption rights | | (1,339) | (382) | - | - |
| **Net cash inflow/ (outflow) from continuing financing activities** | | **94,162** | **(12,067)** | **95,501** | **(11,685)** |
| | | | | | |
| Effect of exchange rate changes on cash and cash equivalents | | (7,379) | (634) | (7,138) | (1,022) |
| **Net increase/ (decrease) in cash and cash equivalents from continuing activities (A)** | | **(2,396,833)** | **(461,643)** | **(2,490,681)** | **(428,432)** |
| | | | | | |
| Net cash flows from discontinued operating activities | | 219,002 | 99,275 | - | - |
| Net cash flows from discontinued investing activities | | (296,778) | (44,278) | - | - |
| Net cash flows from discontinued financing activities | | - | - | - | - |
| Exchange difference of cash and cash equivalents | | (2,020) | 1,320 | - | - |
| **Net incease/ (decrease) in cash and cash equivalents from discontinued activities (B)** | | **(79,796)** | **56,317** | **-** | **-** |
| **Cash and cash equivalents at the beginning of the period (C)** | | **4,187,508** | **2,237,960** | **3,479,374** | **1,505,950** |
| **Cash and cash equivalents at the end of the period (A) + (B) + (C)** | | **1,710,880** | **1,832,634** | **988,693** | **1,077,518** |

Amounts in thousand euros (Unless otherwise stated)

## 1 General information

Piraeus Bank S.A. (hereinafter “Piraeus Bank” or the “Bank”) was founded in 1916 and its shares have been listed on the Athens Stock Exchange since 1918. Piraeus Bank is a banking institution operating in accordance with the provisions of Greek Law 2190/1920 on societés anonymes, Greek Law 4261/2014 on credit institutions and other relevant laws and regulations. According to its statute, the scope of the Bank is to execute any operation acknowledged or delegated by law to banks.

Piraeus Bank (parent company) is incorporated and domiciled in Greece. The address of its registered office is 4 Amerikis st., Athens. The duration of the Bank lapses on 6/7/2099. Piraeus Bank and its subsidiaries (hereinafter "the Group") provide services in the Southeastern and Western Europe. The Group employs, as of 30/06/2018, in total 15,312 people of which 2,392 people refer to discontinued operations (IMITHEA S.A., Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D.). The Bank respectively employs 12,068 people.

Apart from the ATHEX General Index, Piraeus Bank’s share is a constituent of other indices as well, such as FTSE/ATHEX (Large Cap, Banks), FTSE (All World, Emerging Markets, Med 100, FTSE4Good), MSCI (Emerging Markets, EM EMEA, Greece), Stoxx (TMI, All Europe, Greece) and S&P (Global, Greece BMI).

The composition of the Board of Directors on the approval date of the Interim Financial Information is as follows:

| | |
|---|---|
| George P. Handjinicolaou | Chairman of the Board, Non-Executive Member |
| Karel G. De Boeck | Vice-Chairman, Independent Non-Executive Member |
| Christos I. Megalou | Managing Director (CEO), Executive Member |
| George G. Georgakopoulos | Executive Member |
| Venetia G. Kontogouris | Independent Non-Executive Member |
| Arne S. Berggren | Independent Non-Executive Member |
| Enrico Tommaso C. Cucchiani | Independent Non-Executive Member |
| David R. Hexter | Independent Non-Executive Member |
| Solomon A. Berachas | Non-Executive Member |
| Alexander Z. Blades | Non-Executive Member |
| Per Anders J. Fasth | Non-Executive Member, HFSF Representative |

The Directors are elected by the Bank’s General Meeting of Shareholders for a maximum term of 3 years and may be re-elected. The term of the above members expires at the annual General Meeting of the Bank’s shareholders in 2020.

## 2 Summary of significant accounting policies

As permitted by the transition provisions of IFRS 9 and IFRS 15, the Group has selected not to restate the comparative period information and the accounting policies as set out in Note 2 of the Consolidated and Separate Financial Statements for the period ended 31 December 2017 apply to comparative periods.

### 2.1 Basis of preparation

The Interim Financial Information for the six-month period ended 30 June 2018 (the "Interim Financial Information") has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The Interim Financial Information includes selected explanatory notes, and does not include all the information required for full annual financial statements. Therefore, the Interim Financial Information should be read in conjunction with the annual Consolidated and Separate Financial Statements included in the 2017 Annual Financial Report as at and for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standard ("IFRSs") as endorsed by the European Union (the "EU").

The amounts are stated in thousand Euros, rounded to the nearest thousand (unless otherwise stated). Any differences, between the amounts of the Interim Financial Information and the relevant amounts presented in the notes, are due to roundings. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. The adjustments made are not considered to have any material impact on the presentation of the Interim Financial Information, as presented in Note 26 of the Interim Financial Information.

The Interim Financial Information has been prepared under the historical cost convention, except for financial assets and liabilities held at fair value either through profit or loss or through other comprehensive income and all derivative financial instruments and investment property which have been measured at fair value.

The preparation of the Interim Financial Information in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: allowance for impairments on loans and advances to customers, fair value of loans and advances to customers, fair value of investments measured at fair value, recoverability of deferred tax assets ("DTA"), fair value of investment property, fair value of over the counter derivative instruments, impairments of investments in subsidiaries, associated undertakings and joint ventures and other receivables from the Greek public sector.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Financial Information are disclosed in Note 4.

### 2.2 Going concern

Conclusion

Management has concluded, after taking into account the factors mentioned below, regarding the macroeconomic environment, the Group's liquidity and capital adequacy, that the Interim Financial Information has been appropriately prepared on a going concern basis as of 30 June 2018.

Macroeconomic environment

In 2018, the Greek economy is expected to maintain its growth momentum as, since 2017, significant developments give the picture of stability to the side of fiscal adjustment, but also recovery of confidence and trust in the market side.

In the framework of the 3rd financial adjustment programme in 2017, a range of short-term debt relief measures were implemented. Besides, in Q1 2018 the completion of the third review was achieved and a disbursement of € 6.7 billion was approved. Moreover, in the beginning of 2018 Moody's, S&P and Fitch raised Greece's credit risk rating to "B3", "B" and "B" respectively maintaining the positive Outlook. Main point of reference is the Eurogroup statement (21-22 June 2018) which marked the completion of the final review of the third economic adjustment program for Greece. In this framework, it was decided: (a) the amount of the last tranche of the program to be € 15 billion. Out of this total amount, € 5.5 billion will be used for debt servicing and € 9.5 billion to build up cash buffers. The total amount of the cash buffer is estimated to be € 24.1 billion covering the sovereign financial needs for around 22 months following the end of the program (August 2018), (b) the Enhanced Surveillance procedures after the end of the program and (c) further measures on debt sustainability. Following these decisions on 26.06.2018, the S&P rating agency raised the long-term sovereign credit rating on Greece to B+ with "stable" Outlook.

In 2017, the economic sentiment indicator (ESI) improved to 96.8 points from 91.9 points in 2016, at the highest level in the last three years. In addition, ESI is in an upward trend, at 102.8 points in the first five months of 2018. Based on seasonal adjusted data, real GDP in Q1.2018 increased by 2.3% on an annual basis and by 0.8% on a quarterly basis, enhancing growth prospects of the economy. Moreover, in Q1.2018 based on non-seasonally adjusted data, the unemployment rate fell to 21.2% against 23.3% in Q1.2017, with a 1.8% increase in employment on an annual basis. Furthermore, during the period January – April 2018, travel receipts increased by 7.4% on an annual basis. According to the data available for the execution of the state budget on a modified cash basis, the state budget balance for the period of January - May of 2018 presented a deficit of € 813 million, against the target of deficit of € 2,2 billion. The Hellenic Republic's budget primary balance amounted to a surplus of € 1.5 billion. According to the Medium Term Fiscal Strategy (MTFS 2019- 2022), under the Economic Adjustment Programme definition, the general government primary surplus is estimated at 3.56% of GDP, exceeding the 3.5% target that has been set. Moreover, according to the European Commission Compliance report of the fourth review it is estimated that Greece is on track to meet the primary surplus target of 3.5% of GDP in 2018.

The maintenance of the fiscal stability, the gradual strengthening of the international confidence in the sustainability of the country's public finances, as well as the positive effects on economic activity from the boosted domestic credibility, that will be greatly reinforced by focusing economic policy to the necessary reforms for development, will ensure the growth trajectory of the Greek economy.

The economic and political situation in Greece remains the prime risk factor for the domestic banking sector in general and for Piraeus Bank in particular, while geopolitical developments in the wider region are an additional secondary risk factor. To this end, adverse developments regarding the implementation of the country's annual budget and MTFS would potentially have a negative effect on the Bank's liquidity (i.e. stop attracting or loosing deposits, reducing repo interbank transactions with third parties, downgrading of securities of the Greek State that are used for liquidity purposes from the Eurosystem) and on the Bank's capital adequacy (i.e. impact on the quality of its loan portfolio and possible negative assessment of the credit risk of the Greek State in which the Greek banks have significant direct and indirect exposure). Piraeus Bank's Management closely monitors the developments and assesses periodically the negative impact that might have on its operations.

<u>Liquidity</u>

During the first six months of 2018, domestic market deposits (private and public sector,) increased by 4.4% to € 143.8 billion. The exposure of all Greek banks in the Eurosystem was substantially reduced from € 33.7 billion as at 31 December 2017 to € 16.3 billion as at 30 June 2018, of which € 7.3 billion, was covered by the 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) and € 9.0 billion from ECB's Main Refinancing Operations and ECB's Targeted Longer-Term Refinancing Operations II ("TLTRO II").

During the first half of 2018, the Piraeus Bank Group's exposure to the Eurosystem significantly reduced by € 7.9 billion to € 1.8 billion as at 30 June 2018 compared to € 9.7 billion as at 31 December 2017, mainly assisted by the increase of deposits in Greece, the enhanced access to international repo markets, further deleveraging of the loan portfolio and the Bank´s participation in ESM's bond exchange program with cash (€ 1.5 billion). Piraeus Bank's financing through the ELA was reduced by € 5.4 billion during the period 1/1-30/6/2018 and amounted to € 0.3 billion as at 30 June 2018 versus € 5.7 billion as at 31 December 2017. ELA exposure was eliminated in July 2018. In H1 2018, in the Bank's ECB refinancing (through Targeted Long Term Refinancing Operations – TLTRO II and main refinancing operations – MRO) was reduced by € 2.5 billion, and amounted to € 1.5 billion as at 30 June 2018 versus € 4.0 billion as at 31 December 2017.

On 10 August 2018, the Governing Council of the ECB decided that, beginning 21 August 2018, the Eurosystem's standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Hellenic Republic and that such debt instruments will be subject to the standard haircuts set out in Guideline (EU) 2016/65 of the ECB. Piraeus Bank, having incorporated this development of the so-called waiver lift in its funding strategy, absorbed the impact without a problem by tapping the interbank repo market.

In January 2017 the governing bodies of the European Stability Mechanism (ESM) and European Financial Stability Facility (EFSF) approved the implementation of a set of short term measures for the relief of Greek public debt that was agreed on 25 May 2016. Among the aforementioned set of measures, a bond exchange scheme was also included, where floating rate notes disbursed by ESM and EFSF to Greece for recapitalization of Greek banks and funding gaps stemming from acquisitions/mergers were exchanged for fixed coupon notes or cash. During 2017 a notional amount of notes totaling at € 10.9 billion that was held by Piraeus Bank, was exchanged for cash and another € 1.5 billion for fixed coupon notes, which were subsequently exchanged for cash on 17 January 2018, concluding in this way the bond exchange scheme.

Furthermore, Greek banks can participate in the TLTRO, getting the benefit associated with the TLTRO II programme announced on 10 March 2016 by the ECB, subject to sufficient eligible collateral. Piraeus Bank participated only in the first auction of TLTRO II on 23 June 2016 with € 4.0 billion. On 27 June 2018, Piraeus Bank returned € 3.0 billion of TLTRO II to ECB, exercising its early repayment option.

Capital adequacy

The Group's pro-forma Basel III total capital adequacy ratio as at 30 June 2018 stood at 13.97%, equivalent to the Common Equity Tier 1 (CET-1) ratio. The pro-forma total capital adequacy ratio incorporates the positive effect to risk weighted assets (RWA) of selling subsidiaries in Albania and Bulgaria and the 2 loan portfolios (Amoeba and Arctos), as these transactions had not been concluded by 30 June 2018, nevertheless the effect from their sale had already been taken into account in equity capital. If this positive effect in RWAs is not taken into account, the total capital ratio stood at 13.55% a level that constitutes a marginal breach of Overall Capital Requirement ("OCR") ratio of 13.625% set by SSM through the Supervisory Review and Evaluation Process ("SREP"). This marginal OCR breach is considered temporary, as following the completion of the abovementioned transactions, the proforma CET-1 ratio will be restored to 13.97%, thus above the OCR ratio.

On 5 May 2018, the European Central Bank ("ECB") announced the results of the 2018 EU-Wide Stress Test Exercise ("Stress Test Exercise") conducted by the ECB concerning the four Greek systemic banks. The reference balance sheet of 31 December 2017 ("Static Balance Sheet") was stressed under a "baseline" and an "adverse" scenario. Under the Stress Test Exercise, Piraeus posted a Common Equity Tier 1 capital ratio ("CET1 ratio") of 14.5% under the "baseline" scenario and 5.9% under the "adverse" scenario at the end of 2020.

Piraeus Bank is executing a capital-strengthening plan to ensure that the Bank continues to remain above the applicable capital equirements at all times, and to accelerate its balance sheet de-risking process and NPE deleveraging strategy.

Please refer to Note 25 for further details on the capital adequacy.

### 2.3 Adoption of International Financial Reporting Standards ("IFRSs")

The following new accounting standards, as well as amendments, interpretations and improvements to existing IFRSs have been issued by the International Accounting Standards Board (IASB) and have been endorsed by the EU and are effective from 1 January 2018.

<u>New accounting standards</u>

**IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).**
The Group adopted IFRS 9 "Financial instruments" on 1 January 2018, which replaces IAS 39 Financial Instruments. IFRS 9 includes the provisions concerning the classification and measurement of financial assets and financial liabilities, as well as the revised expected credit losses model that replaces the incurred loss impairment model used by year-end 2017. In addition to this, the standard includes the revised provisions relating to hedge accounting that align the accounting treatment of hedging relations with risk management activities. The adoption of the revised provisions is optional. As permitted, the Group has selected to retain the IAS 39 hedge accounting requirements. However, currently the Group and the Bank does not apply hedge accounting.

The Group has selected to apply IFRS 9 retrospectively, without restating the relevant comparatives and by providing all the necessary transitional disclosures in Note 3. As a result, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The adoption of IFRS 9 on 1 January 2018, decreased the Group and the Bank's Total Equity by € 1,968.9 million and € 1,894.9 million respectively.

**IFRS 7 "Financial Instruments: Disclosures" as amended by IFRS 9 (effective for annual periods beginning on or after 1 January 2018)**

IFRS 7 was updated in line with IFRS 9. The Group has adopted the revised standard on 1 January 2018. Given that the Interim Financial Information includes the IFRS 9 First Time Adoption, the necessary transitional disclosures have been included in Note 3. A full set of disclosures as required by the revised IFRS 7 will be provided in the Groups' Annual Financial Statements as of and for the year ending 31 December 2018.

**IFRS 15, "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).**

This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new standard shall be applied to all contracts with customers, except those that are in scope of other standards, such as financial leases, insurance contracts and financial instruments. According to the new standard, an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration. A new revenue recognition model is introduced, by applying a five basic steps approach to revenue recognitions:

- Identification of the contract with the customer,
- Identification of the performance obligations in the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract
- Recognizing revenue when (or as) the entity satisfies a performance obligation

The performance obligation notion is new and substantially represents a promise in a contract with a customer to transfer to the customer either: (a) a good or service that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Group has adopted IFRS 15 as of 1 January 2018 and there was no material impact from the adoption of the standard in the Interim Financial Information of the Group.

Amendments interpretations and improvements

**IFRS 15 (Amendment) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).** The amendment clarifies and gives specific guidance to three aspects of the standard relating to identifying performance obligations, the principal versus agent assessment and accounting for licenses of intellectual property. The amendment also provides transition relief for modified contracts and completed contracts.

**IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions" (effective for annual periods beginning on or after 1 January 2018).** The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. Furthermore, an exception to the principles in IFRS 2 is introduced, that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

**IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts" (effective for annual periods beginning on or after 1 January 2018).** The amendments introduce two approaches: a) all companies that issue insurance contracts have the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) companies whose activities are predominantly connected with insurance an optional temporary exemption is provided for applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply IAS 39. IFRS 4 is not applicable to the Group as there are no insurance subsidiaries.

**IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).** The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence.

**IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018).** The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

**IAS 28 "Investments in associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2018).** The amendments clarify that when venture capital organisations, mutual funds, unit trusts and similar entities elect to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition**.**

**IFRS 1 "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018).** The amendment deletes the paragraphs E3–E7 regarding the short-term exemptions.

These amendments, interpretations and improvements do not significantly affect the Interim Financial Information for the period 1/1-30/6/2018.

### 2.4 Update to significant accounting policies disclosed in the 2017 Annual Financial Statements due to IFRS 9 First Time Adoption

The adoption of IFRS 9 'Financial Instruments' on 1 January 2018 resulted in changes to the Group's accounting policies relating to financial instruments. The accounting policies set out below replace notes: 2.11 Financial Assets at fair value through profit or loss, 2.13 Investment Portfolio, 2.14 Reclassification of financial assets, 2.15 Loans and advances to customers, 2.16 Debt securities receivables, 2.17 Derecognition of financial assets and financial liabilities of the 2017 Annual Financial Statements of the Group and the notes: 2.10 Financial Assets at fair value through profit or loss, 2.12 Investment Portfolio, 2.13 Reclassification of financial assets, 2.14 Loans and advances to customers, 2.15 Debt securities receivables, 2.16 Derecognition of financial assets and financial liabilities of the 2017 Annual Financial Statements of the Bank. As permitted by the transition provisions of IFRS 9, the Group selected not to restate comparative period information and the accounting policies as set out in Note 2 of the Group's Consolidated and Separate financial statements for the year ended 31 December 2017 apply to comparative periods. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, until the micro-hedging project is finalized, which the Group has exercised.

#### 2.4.1 Classification and Measurement of Financial Assets and Liabilities

All recognized financial assets are measured at either amortised cost or fair value under IFRS 9.

Specifically,

- a debt instrument that is held within a business model whose objective is to collect the contractual cash flows and has contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding (SPPI test pass), is measured at amortised cost, unless the asset is designated at fair value through profit or loss ("FVTPL") under the fair value option.

- a debt instrument that is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test pass), is measured at fair value through other comprehensive income ("FVTOCI"), unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments are measured at FVTPL.
- equity securities are measured at fair value through profit or loss, unless the financial asset is irrevocably designated at fair value through other comprehensive income.

Upon transition, the business model assessment has been based on the facts and circumstances as at 1 January 2018.

In order to identify its business models, the Group's decisions have been based on factors such as; the Group's business plan, the frequency, the volume and the reason for making sales in prior periods, how the performance of the portfolio is measured, the risks of the portfolio, the existence of any regulatory or other restrictions in the way the portfolio is managed, as well as any other factor could influence the way the Group operates and makes decisions. In the context of the SPPI test on loans and advances to customers the cash flow characteristics have been assessed either on a contract basis in case of non-standardized loan contracts or in groups with common characteristics in case of standardized products.

The classification and measurement of financial liabilities remained essentially unchanged from the previous IAS 39 classification. The only exception is that IFRS 9 requires that changes in the fair value of the financial liabilities designated at FVTPL that are attributable to changes in the credit risk to be presented in OCI, unless the presentation of the effect of the change in the liability's credit risk would create or enlarge an accounting mismatch in the Income Statement.

### 2.4.2 Summary of significant accounting policies

**a. Loans and advances to customers & Debt securities measured at amortised cost**

A financial asset is generally measured at amortised cost if both of the following conditions are met:

**i. The asset is held within a business model whose objective is to hold it in order to collect contractual cash flows**

The business model of financial assets is determined by the Management. Management exercises judgment to assess its business model for managing its loan and advances to customers and debt securities portfolios and such the assessment is not determined by a single factor or activity. Rather, Management considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to Key Management Personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The way that Management monitors loans and advances to customers and debt securities portfolios performance is consistent with the hold to collect ("HTC") business model. The Group's loans and advances to customers and debt securities measured at amortised cost are managed to realize cash flows by collecting contractual payments over the life of the financial assets.

The business model may be to hold assets to collect contractual cash flows even if the Group sells these assets when there is an increase in the financial assets' credit risk. To determine whether there has been an increase in the financial assets' credit risk, Management considers reasonable and supportable information, including forward looking information. Irrespective of their frequency and value, sales due to an increase in the financial assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of the financial assets is relevant to the Group's ability to collect contractual cash flows. Annual reassessment of the HTC business model has been established in order to assess if there are reasons for its diversification.

In certain rare circumstances where the Group changes its business model for managing financial assets, it should reclassify all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in the reclassification of the financial assets'. This does not give rise to a prior period error in the financial statements (as defined in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) nor does it change the classification of the remaining financial assets held in that business model, as long as Management has considered all relevant information that was available at the time that it made the business model assessment. Accordingly, any previously recognized gains, losses or interest should not be restated. If the original business model assessment was made by error, reclassification would be required and IAS 8 would be implemented.

**ii. The contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI pass).**

For the purposes of applying the contractual cash flow characteristics test, the principal is 'the fair value of the financial asset at initial recognition' and it may change over the life of the financial assets.

Furthermore, the most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money and credit risk. In addition, interest may also include consideration for other basic lending risks (e.g., liquidity risk) and costs (e.g., administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest may include a profit margin that is consistent with a basic lending arrangement.

A contractual cash flow characteristic does not affect the classification of the financial asset if it only has a de minimis effect on the contractual cash flows of the financial asset.

In addition, if a contractual cash flow characteristic could have more than de minimis effect on the contractual cash flows that is (either in a single reporting period or cumulatively) but that cash flow characteristic is not genuine, it does not affect the classification of a financial asset. A cash flow characteristic is not genuine if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

Unlike a change in business model, the contractual terms of a financial asset are known at initial recognition. However, the contractual cash flows of a financial asset may vary over its life based on its original contractual terms. Given that Management classifies a financial asset at its initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a change in a financial asset's contractual cash flows is not permitted.

Initial measurement at amortised cost also includes transaction costs that are directly attributable to the acquisition or issue of the financial asset.

These financial assets, after initial recognition, are measured at amortised cost less allowance for impairment. Interest is calculated using the effective interest rate (“EIR”) method. Initial impairment losses and subsequent changes are recognized in the Income Statement.

Loans and advances to customers that do not fulfill the criteria to be measured at amortised cost or at FVTOCI must be measured at FVTPL.

Nevertheless, the Group may, at initial recognition, irrevocably designate a loan as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on such loans on a different basis.

**b. Investment Securities measured at FVTOCI**

**i. Debt securities**

A financial asset is normally measured at FVTOCI if both of the following conditions are met:

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling assets.
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (see section (a ii) above for the analysis).

A “hold to collect and sell” business model applies when the Bank has made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. In order to determine whether this is so, Management considers:

- If the business model will typically involve greater frequency and value of sales than a HTC model,
- If there are various objectives that may be consistent with this type of business model, such as:
    - o to manage everyday liquidity needs,
    - o to maintain a particular interest yield profile,
    - o to match the duration of the financial assets to the duration of the liabilities that those assets are funding.

As mentioned in section (a) above, Management reassesses its business models at each reporting period in order to determine whether they have changed since the preceding period. As an example, an increased level of sales of assets within a portfolio that was assessed as HTC may indicate that the business model has evolved and that it would be inappropriate to classify future additions to the portfolio in the same way. As discussed above, this does not however mean that the remaining assets within the portfolio need to be reclassified. If the original business model assessment was made by error, reclassification would be required and IAS 8 would be implemented.

The financial assets, after initial recognition, are measured at FVTOCI with any fair valuation gains/ losses recorded directly in other comprehensive income. In the Income Statement, the Group and the Bank recognizes interest income using the “EIR” method, the impairment losses and subsequent changes and the foreign exchange gains and losses. On the date of derecognition or reclassification to the FVTPL category, the cumulative fair value gains/ losses of debt securities are reclassified from equity to the Income Statement.

#### ii. Equity instruments

Specifically, for equity instruments, Management may on initial recognition make an irrevocable election to classify specific equity instruments in the FVTOCI portfolio. This decision is taken on an "one to one" basis.

Subsequent changes in the fair value of an investment in an equity instrument that has been irrevocably elected on initial recognition to be classified in the FVTOCI portfolio are presented in other comprehensive income.

Furthermore, for equity instruments, in contrast to the FVTOCI debt instruments:

- gains and losses recognized in other comprehensive income are not subsequently reclassified to the Income Statement, although the cumulative gain or loss may be reclassified within equity (retained earnings),
- equity instruments are not subject to any impairment accounting.

Only dividend income on such equity instruments is recognized in the Income Statement, unless the dividend clearly represents a recovery of part of the cost of the investment, with all other gains and losses (including those relating to foreign exchange), being recognised in other comprehensive income.

### c. Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets measured at fair value through profit or loss (FVTPL) are all financial assets that do not meet the criteria of being measured at either amortised cost or fair value through other comprehensive income (FVTOCI). The changes in fair value of such financial assets are recognized in the Income Statement.

In addition, Management in certain circumstances may designate a financial asset as measured at FVTPL at initial recognition that would otherwise be measured at amortised cost or at fair value through other comprehensive income. Such an election is irrevocable and can only be made if it eliminates or significantly reduces an accounting mismatch from measuring such financial assets or liabilities or recognizing the gains and losses on these financial assets on a different basis.

### d. Impairment of financial assets

IFRS 9 introduces an expected credit loss ("ECL") model, compared to the incurred loss model of IAS 39, that apply to all financial instruments that are subject to impairment and certain off-balance sheet commitments on loans and advances to customers and guarantees and replaces the incurred loss model in IAS 39. The new standard uses a "three Stage" approach (Stage 1, Stage 2, Stage 3) that reflects changes in credit quality since initial recognition of a financial asset. At each reporting date, an impairment loss equal to 12-month expected credit losses (allocated to Stage 1) is recognized for all financial assets for which there is no significant increase in credit risk since initial recognition.

For financial assets a) for which there is a significant increase in credit risk ("SICR') since their initial recognition (allocated to Stage 2), b) that are credit impaired (allocated to Stage 3) and c) that are purchased or originated credit impaired "POCI", an impairment loss equal to lifetime expected credit losses will be recognized. Management has decided to apply the CRR definition of default.

A default is considered to have occurred with regards to a particular borrower when either of the following conditions have taken place:

- Past due criterion: The borrower is past due more than 90 days on any material credit obligation to the Bank, or any of its subsidiaries.
- Unlikely to Pay (UTP) criterion: Management considers that the borrower is unlikely to pay its credit obligations to the Bank, or any of its subsidiaries.

The definition of default is assessed:

- On a facility level for individuals and for small businesses
- On an obligor level for the rest of the portfolios.

The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination and certain other criteria either as secondary indicators or backstops such as watch-list status, existence of forbearance, behavioral flags (maximum delinquency bucket for the last 12 months) and 30-day past due. Management measures and assesses significant increase in credit risk, by comparing the risk of default at “initial recognition date” with the risk of default at each “reporting date”.

*Key Impairment Modelling Concepts*

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment to reflect factors not captured in models.

**e. Derecognition of financial assets**

A financial asset is derecognized in the following cases:
- the contractual rights to the cash flows from the asset expire, or
- Management transfers the financial asset and the transfer qualifies for derecognition.

The term 'financial asset' is used to refer to either the whole, or a part, of a financial asset (or the whole or a part of a group of similar financial assets). It is therefore important that a reference to an asset being derecognized 'in its entirety' does not necessarily mean that 100% of the financial asset is derecognized. It may mean, for example, that there has been full derecognition of, say, 80% of the financial asset to which the derecognition rules have applied separately.

The contractual rights to the cash flows from that asset have expired when for example:
- a loan receivable is repaid;
- a purchased option expires unexercised.

Management transfers a financial asset if, and only if, it either:
- transfers the contractual rights to receive the cash flows of the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows on to one or more recipients.

If substantially all the risks and rewards of ownership of the financial asset is transferred, the financial asset must be derecognized and any rights and obligations created or retained in the transfer must be recognized separately as assets or liabilities.

It is a common practice, to proceed with restructuring of debt instruments particularly but not always when debtors are in financial difficulties. The restructuring is a modification to the terms of a loan or an exchange of one debt instrument issued by the borrower for another. If the contractual cash flows of a financial asset are modified, Management assesses whether the rights over the cash flows have expired and thus the financial asset should be derecognized.

Whether the Group or Bank has retained control of the transferred asset, is determined by the transferee's ability to sell the asset.

Further to the above, Management has clearly defined which modifications of the contractual terms of lending arrangements shall be considered as substantial, and as a result lead to derecognition accounting.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount of the asset; and
- the consideration received including any new asset obtained less any new liability assumed (in case of transfer) or the new loan calculated at fair value (in case of expiration)

is recognized in the Income Statement. In addition, any cumulative gain or loss in respect of a financial asset which was previously recognized, in OCI should be reclassified from equity to the Income Statement if the financial asset is a debt instrument accounted for at FVTOCI under IFRS 9.

In case that the renegotiation or modification of the contractual cash flows of a financial asset does not lead to derecognition of the existing financial asset as per IFRS 9, the Group:

- continues with its current accounting treatment for the existing financial asset that has been modified.
- records a modification gain or loss by recalculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset’s original EIR (or the credit-adjusted EIR for POCI financial assets).

### 2.5 Amendment to accounting policy due to IFRS 15 implementation

Under IFRS 15, a five steps approach for revenue recognition is applied which includes: identification of the contract, identification of the performance obligations in the contract, determination of the transaction price and allocation of the transaction price to the performance obligations in the contract. As such, the Group recognizes revenue when a performance obligation is satisfied i.e. when control of the services or goods is transferred to the customer.

### 2.6 Amendment to accounting policy of business segments (IFRS 8)

In March 2018 the Executive Committee of the Group in line with the implementation of “Agenda 2020” strategic plan changed its segment analysis from the traditional product oriented segmentation applied up to and including 31 December 2017 to a customer oriented segmentation perspective.

The new segments that have derived from the above are defined as follows:

**Piraeus "Core" Segments**

- **Retail Banking** - This segment includes Mass, Affluent, Private Banking, Small Businesses, and Public Core segments and Channels.
- **Corporate Banking** - This segment includes facilities relating to Large Corporates, Shipping, SME and the Agricultural Segments.
- **Piraeus Financial Markets (PFM)** - This segment includes the Fixed Income, Foreign Exchange, Treasury activities (including the interest rate gap resulting from all bank activities) as well as the Institutional Clients' Segments.
- **Other** - This segment includes the results of all management related activities which cannot or should not be allocated to specific customer segments. This segment also includes all the funding related transactions which are the result of a ALCO decision.

**"Piraeus Legacy Unit" Segment**

- **PLU** - This segment includes the Recovery Banking Unit (RBU) which is considered to be non-core business, the international subsidiaries as there is a clear commitment through the Bank's Restructuring Plan to deleverage from its foreign assets as well as Real Estate Owned (REO), non-core Greek subsidiaries and discontinued operations.

## 3 IFRS 9 Transition Disclosures

### 3.1 IFRS 9 First Time Adoption Transitional Disclosures

On 1 January 2018, Piraeus Bank Group implemented the requirements of IFRS 9 'Financial Instruments'. IFRS 9 "Financial Instruments" addresses the accounting requirements for financial instruments classification and measurement, impairment and hedge accounting. It replaces IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after 1 January 2018.

These IFRS 9 First Time Adoption (FTA) Transitional Disclosures provide:

- Information relevant to understanding the impact of the new accounting standard on Piraeus Bank Group and Bank's Statement of Financial Position as at 1 January 2018.
- a bridge between IAS 39 'Financial Instruments: Recognition and Measurement', IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRS 9 'Financial Instruments' results.
- context for changes in the recognition of expected credit losses, changes in the classification and measurement of financial instruments on the Statement of Financial Position and the resulting impact on regulatory capital.

### 3.2 IFRS 9 FTA Impact

The IFRS 9 FTA impact as at 1 January 2018 on the Total Equity of the Group amounted to €1,968.9 million and for the Bank € 1,894.9 million respectively and is analyzed as follows:

| | Group | Bank |
|---|---|---|
| **€ million** | **1 Jan 2018** | **1 Jan 2018** |
| A decrease from additional impairment allowances – continuing operations | 1,911.7 | 1,842.9 |
| A decrease from additional impairment allowances – discontinued operations | 5.4 | - |
| A decrease from the re-measurement of financial assets and liabilities as a consequence of classification changes | 25.3 | 25.3 |
| Deferred tax | (0.6) | - |
| **Net effect of IFRS 9 FTA Impact on Total Equity** | **1,941.8** | **1,868.2** |
| ECL impact of AFS bond portfolio measured at FVTOCI | 27.1 | 26.7 |
| **Total IFRS 9 FTA Impact** | **1,968.9** | **1,894.9** |

The Group has not recognized a deferred tax asset on the net IFRS 9 FTA impact as at 1 January 2018, apart from an immaterial amount of € 0.6 million coming from Greek subsidiaries, based on Management's current assessment that such additional DTA is not considered recoverable. The unrecognized deferred tax asset would have amounted to € 562.7 million and € 541.8 million for the Group and the Bank respectively.

Management, has during the first six months of 2018 finalized the IFRS 9 FTA impact assessment. In this respect the initially estimated IFRS 9 FTA impact as of 1 January 2018 amounting to € 1,620.7 million for the Group and € 1,546.3 million for the Bank has been increased to € 1,968.9 million for the Group and € 1,894.9 million for the Bank respectively as a result of the two items set out below:

**a)** Conclusion of IFRS9 ECL measurement of loans and advances to customers for the Group and the Bank, as result of the finalization of the risk parameters used in the internal credit risk models amounting to € 315.2 million.

**b)** IFRS 9 FTA impact for financial instruments included in Other Assets as this was not part of the initial estimated IFRS 9 FTA impact amounting to € 33.8 million for the Group and € 33.3 million for the Bank respectively.

| € million | Group<br>1 Jan 2018 | Bank<br>1 Jan 2018 |
|---|---|---|
| Initially estimated IFRS 9 FTA impact as published as at 31 December 2017 | 1,620.7 | 1,546.3 |
| Minor adjustments in Q1 2018 | (0.8) | - |
| Amended IFRS 9 FTA impact as published as at 31 March 2018 | 1,619.9 | 1,546.3 |
| Conclusion of IFRS 9 ECL measurement of loans and advances to customers, as a result of the finalization of the risk parameters used in the internal credit risk models | 315.2 | 315.2 |
| Increase due to IFRS 9 FTA impact on financial instruments included within Other Assets | 33.8 | 33.3 |
| **Amended IFRS 9 FTA impact as of 30 June 2018** | **1,968.9** | **1,894.9** |

Management continues to test and refine the new accounting processes, internal controls and governance framework necessitated by the adoption of IFRS 9 'Financial Instruments'.

### 3.3. Impact on Regulatory Capital

| Group | | | |
|---|---|---|---|
| **Key capital metrics** | At | | |
| | 31 Dec 2017 | 1 Jan 2018 | 1 Jan 2018 |
| | IAS 39 | IFRS 9 Transitional | IFRS 9 Fully loaded |
| Common Equity Tier 1 Capital | 7,710,725 | 7,324,822 | 5,151,314 |
| Tier 1 Capital | 7,710,725 | 7,324,822 | 5,151,314 |
| Total Capital | 7,710,725 | 7,324,822 | 5,151,314 |
| **Total risk weighted assets (on and off- balance sheet items) (€thousand)** | **50,981,210** | **50,148,616** | **48,589,268** |
| Capital ratios (%)[1] | | | |
| Common Equity Tier 1 Capital ratio | 15.1% | 14.6% | 10.6% |
| Tier 1 Capital ratio | 15.1% | 14.6% | 10.6% |
| Total Capital ratio | 15.1% | 14.6% | 10.6% |
| Leverage Ratio | 11.7% | 10.9% | 8.1% |

[1] *Capital ratios are presented on a CRD IV transitional basis at 31 December 2017 for consistency.*

| Bank | | | |
|---|---|---|---|
| **Key capital metrics** | **At** | | |
| | **31 Dec 2017** | **1 Jan 2018** | **1 Jan 2018** |
| | **IAS 39** | **IFRS 9 Transitional** | **IFRS 9 Fully loaded** |
| Common Equity Tier 1 Capital | 7,794,174 | 7,411,812 | 5,358,685 |
| Tier 1 Capital | 7,794,174 | 7,411,812 | 5,358,685 |
| Total Capital | 7,794,174 | 7,411,812 | 5,358,685 |
| **Total risk weighted assets (on and off-balance sheet items) (€ thousand)** | **47,864,313** | **46,894,454** | **45,409,744** |
| Capital ratios (%)[1] | | | |
| Common Equity Tier 1 Capital ratio | 16.3% | 15.8% | 11.8% |
| Tier 1 Capital ratio | 16.3% | 15.8% | 11.8% |
| Total Capital ratio | 16.3% | 15.8% | 11.8% |
| Leverage Ratio | 12.3% | 11.5% | 8.8% |

[1] *Capital ratios are presented on a CRD IV transitional basis at 31 December 2017 for consistency.*

The IFRS9 FTA impact, resulted in a 52 bps and 48 bps decrease in the Common Equity Tier 1 ratio for the Group and the Bank respectively, applying the EU regulatory transitional arrangements, and a 452 bps for the Group and 448 bps for the Bank decrease on a fully loaded basis as at 1 January 2018.

### 3.4 IFRS 9 regulatory transitional arrangements

The Group has adopted the regulatory transitional arrangements published by the EU (No 2017/2395) in December 2017, amending the regulation (EU) 575/2013 with the insertion of article 473a. These transitional arrangements permit banks to add back to their capital base a proportion of the IFRS 9 impact due to expected credit loss provisions during the first five years of use. The proportion that banks may add back starts at 95% in 2018 and reduces gradually to 25% in 2022 and then to 0% by 2023.

The impact of IFRS 9 on the allowance for loan losses is defined as:

- the increase in expected credit losses on day one of IFRS 9 adoption; plus
- any subsequent increase in expected credit losses in the non credit-impaired book thereafter.

### 3.5 Impact on Governance and Internal Controls

Piraeus Bank Group commenced its IFRS 9 implementation program ("IFRS 9 Program") in Q1 2016. In the context of the implementations of this program, an appropriate Governance, Steering Committees, Project Management Office, and various project teams were established with participants from several of the Bank's divisions and its subsidiaries. The Group's IFRS 9 Steering Committee, participated actively throughout the process, ensuring efficient, effective, accurate and timely implementation of the IFRS 9 Program. Given the complexity and the size of the IFRS 9 Program, the Bank contracted consultants who are "Subject-Matter

Experts" very early in the process for the implementation of IFRS 9 and the Bank has made substantial investments in new IT infrastructure and processes.

On the basis of its existing governance framework, Management has ensured that the appropriate internal controls and validations are in place over the key processes and judgments to determine the ECL. As part of the implementation, Management has refined its existing internal controls and implemented new internal controls and processes where required in areas that are impacted by IFRS9. Management has also set up validation processes and controls to assess the appropriateness of ECL measurement. Some of the key governance and control areas are those related to controls over the development of macroeconomic scenarios and weighting them by an appropriate probability of default, credit risk data and systems, the determination of criteria for the assessment of a significant increase in credit risk and the criteria for the classification of loans and debt securities.

Furthermore, in addition to the existing risk management framework, a robust and strong governance framework has been set up to review and approve the ECL measurement. In this regard, Impairment Committee reviews and approves the consolidated impairment charge on a quarterly basis, along with all underlying key components and respective key assumptions.

The Board of Directors with the assistance of the Audit Committee and Board Committee, as well as the Group's Executive Committee, monitored very closely the implementation of the IFRS 9 Program on a frequent base and participated actively in the decision making process, as well as the approval of the IFRS 9 accounting policies.

### 3.6 Retrospective amendments to Piraeus Bank Group's and Piraeus Bank's Statement of Financial Position presentation as of 31 December 2017

The tables below illustrate the new Statement of Financial Position presentation of assets and liabilities as of 31 December 2017 in comparison to the presentation in the 2017 Annual Financial Report. The tables do not reflect any of the effects of adopting the measurement requirements of IFRS 9, which are presented in Note 3.7 under Reclassification and remeasurement of carrying amounts and recognition of ECL upon the adoption of IFRS 9.

Amounts in thousand euros (Unless otherwise stated)

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | Explanatory Footnotes | 31 December 2017 Former presentation | 31 December 2017 Revised presentation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Central Banks | | 1,449,240 | 1,449,240 |
| Loans and advances to credit institutions | | 2,147,758 | 2,147,758 |
| Financial assets at fair value through profit or loss | 1,2,3 | 1,499,824 | 1,527,413 |
| Financial assets mandatorily at fair value through profit or loss | 4 | - | 110,859 |
| Derivative financial instruments - assets | 2,3,5,7 | 459,993 | 472,015 |
| Reverse repos with customers | | 90,253 | 90,253 |
| Loans and advances to customers at amortised cost | 6 | 44,719,530 | 44,601,656 |
| Loans and advances to customers mandatorily at fair value through profit or loss | 6,7 | - | 123,351 |
| Financial assets at fair value through other comprehensive income | 8 ,9 | - | 2,070,965 |
| Available for sale securities | 4,5,8,9 | 2,203,803 | - |
| Debt securities - receivables | 1 | 23,109 | - |
| Assets held for sale | | 18,110 | 18,110 |
| Investment property | | 1,120,627 | 1,120,627 |
| Investments in associated undertakings and joint ventures | | 251,374 | 251,374 |
| Property and equipment | | 1,041,435 | 1,041,435 |
| Intangible assets | | 300,771 | 300,771 |
| Deferred tax assets | | 6,542,813 | 6,542,813 |
| Other assets | | 3,264,380 | 3,264,380 |
| Assets from discontinued operations | | 2,283,542 | 2,283,542 |
| **TOTAL ASSETS** | | **67,416,562** | **67,416,562** |
| **LIABILITIES** | | | |
| Due to credit institutions | | 11,435,086 | 11,435,086 |
| Due to customers | | 42,715,252 | 42,715,252 |
| Derivative financial instruments - liabilities | | 402,233 | 402,233 |
| Debt securities in issue | | 435,277 | 435,277 |
| Current income tax liabilities | | 2,437 | 2,437 |
| Deferred tax liabilities | | 34,432 | 34,432 |
| Retirement benefit obligations | | 194,162 | 194,162 |
| Other provisions | | 52,959 | 52,959 |
| Other liabilities | | 959,670 | 959,670 |
| Liabilities from discontinued operations | | 1,640,856 | 1,640,856 |
| **TOTAL LIABILITIES** | | **57,872,365** | **57,872,365** |
| **EQUITY** | | | |
| Share capital (ordinary shares) | | 2,619,955 | 2,619,955 |
| Share premium | | 13,074,688 | 13,074,688 |
| Contingent convertible securities | | 2,040,000 | 2,040,000 |
| Less: Treasury shares | | (379) | (379) |
| Other reserves | 10 | 11,022 | 23,592 |
| Retained earnings | 10 | (8,326,871) | (8,339,441) |
| **Capital and reserves attributable to equity holders of the parent entity** | | **9,418,415** | **9,418,415** |
| Non controlling interest | | 125,782 | 125,782 |
| **TOTAL EQUITY** | | **9,544,198** | **9,544,198** |
| **TOTAL LIABILITIES AND EQUITY** | | **67,416,562** | **67,416,562** |

Amounts in thousand euros (Unless otherwise stated)

| BANK STATEMENT OF FINANCIAL POSITION | Explanatory Footnotes | 31 December 2017 Former presentation | 31 December 2017 Revised presentation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Central Banks | | 1,154,395 | 1,154,395 |
| Loans and advances to credit institutions | | 2,091,669 | 2,091,669 |
| Financial assets at fair value through profit or loss | 1,2,3 | 1,476,244 | 1,503,834 |
| Financial assets mandatorily at fair value through profit or loss | 4 | - | 110,764 |
| Derivative financial instruments - assets | 2,3,5,7 | 461,402 | 473,424 |
| Reverse repos with customers | | 88,874 | 88,874 |
| Loans and advances to customers at amortised cost | 6 | 44,884,572 | 44,766,762 |
| Loans and advances to customers mandatorily at fair value through profit or loss | 6,7 | - | 123,288 |
| Financial assets at fair value through other comprehensive income | 8 ,9 | - | 1,886,721 |
| Available for sale securities | 4,5,8,9 | 2,019,464 | - |
| Debt securities - receivables | 1 | 23,109 | - |
| Assets held for sale | | 183,367 | 183,367 |
| Investment property | | 400,172 | 400,172 |
| Investments in subsidiaries | | 810,928 | 810,928 |
| Investments in associated undertakings and joint ventures | | 246,020 | 246,020 |
| Property and equipment | | 898,367 | 898,367 |
| Intangible assets | | 256,292 | 256,292 |
| Deferred tax assets | | 6,483,830 | 6,483,830 |
| Other assets | | 3,012,524 | 3,012,524 |
| **TOTAL ASSETS** | | **64,491,230** | **64,491,230** |
| **LIABILITIES** | | | |
| Due to credit institutions | | 11,771,541 | 11,771,541 |
| Due to customers | | 41,300,806 | 41,300,806 |
| Derivative financial instruments - liabilities | | 403,881 | 403,881 |
| Debt securities in issue | | 435,277 | 435,277 |
| Retirement benefit obligations | | 187,932 | 187,932 |
| Other provisions | | 105,324 | 105,324 |
| Other liabilities | | 859,825 | 859,825 |
| **TOTAL LIABILITIES** | | **55,064,587** | **55,064,587** |
| **EQUITY** | | | |
| Share capital (ordinary shares) | | 2,619,955 | 2,619,955 |
| Share premium | | 13,074,688 | 13,074,688 |
| Contingent convertible securities | | 2,040,000 | 2,040,000 |
| Other reserves | 10 | 159,754 | 158,919 |
| Retained earnings | 10 | (8,467,755) | (8,466,920) |
| **TOTAL EQUITY** | | **9,426,642** | **9,426,642** |
| **TOTAL LIABILITIES AND EQUITY** | | **64,491,230** | **64,491,230** |

Amounts in thousand euros (Unless otherwise stated)

Explanatory footnotes to the table "Retrospective amendments to Piraeus Bank Group's and Piraeus Bank's Statement of Financial Position presentation"

| | **Statement of Financial Position** |
|---|---|
| **1** | Reclassification from Debt securities – receivables of €23,109 thousand for the Group and Bank to Financial assets at FVTPL. |
| **2** | Reclassification from Derivative financial instruments – assets of €4,515 thousand for the Group and Bank respectively to Financial assets at FVTPL |
| **3** | Reclassification from Financial assets at FVTPL of € 35 thousand for the Group and Bank to Derivative financial instruments – assets. |
| **4** | Reclassification from Available for sales securities (equity securities) of €110,859 thousand and € 110,764 thousand for the Group and Bank respectively to financial assets mandatorily at FVTPL. |
| **5** | Reclassification from Available for sales securities of €21,979 thousand for the Group and Bank respectively to Derivatives financial instruments – assets. |
| **6** | Reclassification from Loans and advances to customers at amortized cost of €117,874 thousand and € 117,811 thousand for the Group and Bank respectively to Loans and advances to customers mandatorily at FVTPL. |
| **7** | Reclassification from Derivative financial instruments – assets of €5,477 thousand for the Group and Bank to Loans and advances to customers mandatorily at FVTPL. |
| **8** | Reclassification from Available for sales securities (debt securities) of €1,902,230 thousand and € 1,723,853 thousand for the Group and Bank respectively to Financial assets at FVTOCI. |
| **9** | Reclassification from Available for sales securities (equity securities) of €168,735 thousand and € 162,868 thousand for the Group and Bank respectively to Financial assets at FVTOCI. |
| **10** | Reclassification from Available for sales securities reserve of €12,570 thousand loss and € 835 thousand gain for the Group and Bank respectively to Retained earnings. |

Amounts in thousand euros (Unless otherwise stated)

### 3.7 Classification of Financial Assets at the date of initial application of IFRS 9

The following tables disclose changes in the carrying amounts and the classifications of financial assets as at the date of initial application of IFRS 9:

| | | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | IAS 39 measurement | IAS 39 carrying amount 31/12/2017 | Reclassifications | Remeasurements | IFRS 9 carrying amount 1/1/2018 | IAS 39 carrying amount 31/12/2017 | Reclassifications | Remeasurements | IFRS 9 carrying amount 1/1/2018 |
| **Financial assets at amortised cost under IFRS 9** | | | | | | | | | |
| **Cash and balances with Central Banks** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 1,449,240 | | | | 1,154,395 | | | |
| Remeasurement (ECL allowance) | | | | (50) | | | | (50) | |
| **Opening balance 1/1/2018** | | | | | **1,449,190** | | | | **1,154,345** |
| **Loans and advances to credit institutions** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 2,147,758 | | | | 2,091,669 | | | |
| Remeasurement (ECL allowance) | | | | (9) | | | | (5) | |
| **Opening balance 1/1/2018** | | | | | **2,147,750** | | | | **2,091,664** |
| **Loans and advances to customers (net)** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 44,719,530 | | | | 44,884,572 | | | |
| Reclassification to financial assets at FVTPL | | | (117,874) | | | | (117,811) | | |
| Remeasurement (ECL allowance) | | | | (1,724,018) | | | | (1,655,863) | |
| **Opening balance 1/1/2018** | | | | | **42,877,639** | | | | **43,110,898** |
| **Debt securities - receivables** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 23,109 | | | | 23,109 | | | |
| Reclassification to financial assets at FVTPL | | | (23,109) | | | | (23,109) | | |
| **Opening balance 1/1/2018** | | | | | **0** | | | | **0** |

Amounts in thousand euros (Unless otherwise stated)

| | | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **IAS 39 measurement** | **IAS 39 carrying amount 31/12/2017** | **Reclassifi cations** | **Remeasure ments** | **IFRS 9 carrying amount 1/1/2018** | **IAS 39 carrying amount 31/12/2017** | **Reclassifi cations** | **Remeasure ments** | **IFRS 9 carrying amount 1/1/2018** |
| **Reverse repos with customers** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 90,253 | | | | 88,874 | | | |
| Remeasurement (ECL allowance) | | | | (158) | | | | (144) | |
| **Opening balance 1/1/2018** | | | | | **90,095** | | | | **88,729** |
| **Other Financial Instruments within Other Assets** | Amortised Cost | | | | | | | | |
| Closing balance 31/12/2017 | | 553,553 | | | | 604,304 | | | |
| Remeasurement (ECL allowance) | | | | (33,808) | | | | (33,304) | |
| **Opening balance 1/1/2018** | | | | | **519,745** | | | | **571,000** |
| **Total financial assets measured at amortised cost under IFRS 9** | | **48,983,443** | **(140,983)** | **(1,758,042)** | **47,084,419** | **48,846,923** | **(140,920)** | **(1,689,366)** | **47,016,637** |

| | | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **IAS 39 measurement** | **IAS 39 carrying amount 31/12/2017** | **Reclassifi cations** | **Remeasure ments** | **IFRS 9 carrying amount 1/1/2018** | **IAS 39 carrying amount 31/12/2017** | **Reclassifi cations** | **Remeasure ments** | **IFRS 9 carrying amount 1/1/2018** |
| **Financial assets at FVTPL under IFRS 9** | | | | | | | | | |
| **Debt securities** | Fair value through PL | | | | | | | | |
| Closing balance 31/12/2017 | | 1,476,244 | | | | 1,476,244 | | | |
| Reclassification to Derivative financial instruments - assets | | | (35) | | | | (35) | | |
| Reclassification from Derivative financial instruments - assets | | | 4,515 | | | | 4,515 | | |
| Reclassification from Debt securities receivables | | | 23,109 | | | | 23,109 | | |
| Remeasurement due to reclassifications | | | | (8,943) | | | | (8,943) | |
| **Opening balance 1/1/2018** | | | | | **1,494,891** | | | | **1,494,891** |
| **Equity securities** | Fair value through PL | | | | | | | | |
| Closing balance 31/12/2017 | | 23,579 | | | | 0 | | | |
| Reclassification from Investment Securities (Equity securities available for sale) | | | 110,859 | | | | 110,764 | | |
| **Opening balance 1/1/2018** | | | | | **134,439** | | | | **110,764** |

Amounts in thousand euros (Unless otherwise stated)

| | | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | IAS 39 measurement | IAS 39 carrying amount 31/12/2017 | Reclassifi cations | Remeasure ments | IFRS 9 carrying amount 1/1/2018 | IAS 39 carrying amount 31/12/2017 | Reclassifi cations | Remeasure ments | IFRS 9 carrying amount 1/1/2018 |
| **Derivative financial instruments - assets** | Fair value through PL | | | | | | | | |
| Closing balance 31/12/2017 | | 459,993 | | | | 461,402 | | | |
| Reclassification from Debt securities at FVTPL (Trading portfolio) | | | 35 | | | | 35 | | |
| Reclassification from Available for sale securities | | | 21,979 | | | | 21,979 | | |
| Reclassification to FVTPL (Loans and advances to customers) | | | (5,477) | | | | (5,477) | | |
| Reclassification to FVTPL (Debt securities) | | | (4,515) | | | | (4,515) | | |
| **Opening balance 1/1/2018** | | | | | **472,015** | | | | **473,424** |
| **Loans and advances to customers** | | | | | | | | | |
| Closing balance 31/12/2017 | | - | | | | - | | | |
| Reclassification from Loans and advances to customers at amortised cost (net) | | | 117,874 | | | | 117,811 | | |
| Reclassification from Derivative financial instruments - assets (at FVTPL) | | | 5,477 | | | | 5,477 | | |
| Remeasurement due to reclassifications | | | | (16,340) | | | | (16,340) | |
| **Opening balance 1/1/2018** | | | | | **107,011** | | | | **106,948** |
| **Total financial assets measured at FVTPL under IFRS 9** | | **1,959,817** | **273,821** | **(25,283)** | **2,208,355** | **1,937,647** | **273,663** | **(25,283)** | **2,186,027** |

Amounts in thousand euros (Unless otherwise stated)

| | | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **IAS 39 measurement** | **IAS 39 carrying amount 31/12/2017** | **Reclassifications** | **Remeasurements** | **IFRS 9 carrying amount 1/1/2018** | **IAS 39 carrying amount 31/12/2017** | **Reclassifications** | **Remeasurements** | **IFRS 9 carrying amount 1/1/2018** |
| **Financial assets at FVTOCI under IFRS 9** | | | | | | | | | |
| **Available for sale securities** | Fair value through AFS Reserve | | | | | | | | |
| Closing balance 31/12/2017 | | 2,203,803 | | | | 2,019,464 | | | |
| Reclassification to: Financial assets at FVTOCI (debt securities) | | | (1,902,230) | | | | (1,723,853) | | |
| Reclassification to: Financial assets at FVTOCI (equity securities) | | | (168,734) | | | | (162,868) | | |
| Reclassification to: Financial assets at FVTPL | | | (110,859) | | | | (110,764) | | |
| Reclassification to Derivative financial instruments - assets | | | (21,979) | | | | (21,979) | | |
| **Opening balance 1/1/2018** | | | | | **0** | | | | **0** |
| **Financial assets at FVTOCI (debt securities)** | | | | | | | | | |
| Closing balance 31/12/2017 | | - | | | | - | | | |
| Reclassification from Available for sale | | | 1,902,230 | | | | 1,723,853 | | |
| **Opening balance 1/1/2018** | | | | | **1,902,230** | | | | **1,723,853** |
| **Financial assets at FVTOCI (equity securities)** | | | | | | | | | |
| Closing balance 31/12/2017 | | - | | | | - | | | |
| Reclassification from Available for sale | | | 168,734 | | | | 162,868 | | |
| **Opening balance 1/1/2018** | | | | | **168,734** | | | | **162,868** |
| **Total financial assets measured at FVTOCI under IFRS 9** | | **2,203,803** | **(132,838)** | | **2,070,965** | **2,019,464** | **(132,743)** | | **1,886,721** |

The Financial assets at FVTOCI debt securities are Stage 1 and the ECL impact amounted to € 27.1 million for the Group and € 26.7 million for the Bank as at 1/1/2018.

Amounts in thousand euros (Unless otherwise stated)

### 3.8 Reconciliation of allowance

The following table reconciles the allowance for impairments measured in accordance with the IAS 39 incurred loss model and the provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017 to the allowance for impairments in accordance with the IFRS 9 expected loss model at 1 January 2018:

| | | | GROUP | | | BANK | | |
|---|---|---|---|---|---|---|---|---|
| | Measurement under IAS 39 / IAS 37 | Measurement under IFRS 9 | Allowance for impairment under IAS 39 and Provisions under IAS 37 (31 December 2017) | Remeasure ments | Allowance for impairments under IFRS 9 | Allowance for impairment under IAS 39 and Provisions under IAS 37 (31 December 2017) | Remeasure ments | Allowance for impairments under IFRS 9 |
| Cash and balances with Central Banks | Amortised Cost | Amortised Cost | - | (50) | (50) | - | (50) | (50) |
| Loans and advances to credit institutions | Amortised Cost | Amortised Cost | - | (9) | (9) | - | (5) | (5) |
| Loans and advances to customers | Amortised Cost | Amortised Cost | (15,378,357) | (1,724,018) | (17,102,374) | (14,659,299) | (1,655,863) | (16,315,162) |
| Debt securities- receivables | Amortised Cost | Amortised Cost | - | - | - | - | - | - |
| Reverse repos with customers | Amortised Cost | Amortised Cost | - | (158) | (158) | - | (144) | (144) |
| Other Financial Instruments within Other Assets | Amortised Cost | Amortised Cost | (64,057) | (33,808) | (97,865) | (28,535) | (33,304) | (61,839) |
| Investment securities (debt securities) | Fair value through AFS Reserve | FVTOCI | - | (27,111) | (27,111) | - | (26,656) | (26,656) |
| **Total** | | | **(15,442,414)** | **(1,785,153)** | **(17,227,566)** | **(14,687,834)** | **(1,716,022)** | **(16,403,856)** |
| Loan commitments | Off Balance sheet | Off Balance sheet | | (137,020) | **(137,020)** | | (137,102) | **(137,102)** |
| Financial guarantees | Off Balance sheet | Off Balance sheet | | (16,673) | **(16,673)** | | (16,409) | **(16,409)** |
| **Total** | | | | **(153,694)** | **(153,694)** | | **(153,511)** | **(153,511)** |

Amounts in thousand euros (Unless otherwise stated)

### 3.9 IFRS 9 impact on equity

The table below discloses the total impact of IFRS 9 on equity, as well as reclassifications within Total Equity, as at 1 January 2018:

| | Group impact of adopting IFRS 9 1/1/2018 | Bank impact of adopting IFRS 9 1/1/2018 |
|---|---|---|
| **AFS Reserve** | | |
| Closing balance under IAS 39 (31 December 2017) | 79,467 | 90,390 |
| Reclassifications to Reserve from financial assets at FVTOCI (debt securities) | (84,771) | (81,717) |
| Reclassifications to Reserve from financial assets at FVTOCI (equity securities) | (7,265) | (7,836) |
| Transfer to Retained Earnings | 12,570 | (835) |
| **Opening balance under IFRS 9 (1 January 2018)** | **0** | **0** |
| **Reserve from financial assets at FVTOCI (debt securities)** | | |
| Reclassifications from AFS Reserve | 84,771 | 81,718 |
| Recognition of expected credit losses under IFRS 9 | 27,111 | 26,656 |
| **Opening balance under IFRS 9 (1 January 2018)** | **111,881** | **108,374** |
| **Reserve from financial assets at FVTOCI (equity securities)** | | |
| Reclassifications from AFS Reserve | 7,265 | 7,836 |
| **Opening balance under IFRS 9 (1 January 2018)** | **7,265** | **7,836** |
| **Retained earnings** | | |
| Closing balance under IAS 39 (31 December 2017) | (8,326,871) | (8,467,755) |
| Transfer from AFS Reserve | (12,570) | 835 |
| Remeasurements due to Reclassifications | (25,283) | (25,283) |
| Recognition of expected credit losses under IFRS 9 | (1,944,252) | (1,869,533) |
| Deferred tax | 646 | 0 |
| **Opening balance under IFRS 9 (1 January 2018)** | **(10,308,330)** | **(10,361,736)** |

In the movement of Retained Earnings, in "Recognition of expected credit losses under IFRS 9" the IFRS 9 FTA impact from discontinued operations amounting to € 5.4 million has been included in Group balances.

Amounts in thousand euros (Unless otherwise stated)

### 3.10 Remeasurements in allowance for impairment for loans and advances to customers per portfolio and stage

The table below analyzes the remeasurement in allowance for impairment for loans and advances to customers per portfolio and stage as at 1 January 2018:

| GROUP | Gross balance as at 31/12/2017 | | | | Allowance for impairment for loans and advances to customers under IAS 39 as at 31/12/2017 | | | | Remeasurement of the allowance for impairment for loans and advances to customers under IFRS 9 as at 1/1/2018 | | | | Difference between IAS 39 and IFRS 9 in the allowance for impairment of loans and advances to customers | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **Retail** | **7,882,056** | **4,000,079** | **8,782,697** | **20,664,832** | **(36,811)** | **(265,580)** | **(3,624,767)** | **(3,927,158)** | **(35,052)** | **(561,850)** | **(3,936,657)** | **(4,533,560)** | **1,758** | **(296,270)** | **(311,890)** | **(606,402)** |
| Mortgages | 6,472,864 | 3,006,675 | 5,703,711 | 15,183,250 | (5,796) | (71,889) | (1,673,329) | (1,751,014) | (5,375) | (256,939) | (1,695,653) | (1,957,967) | 421 | (185,050) | (22,324) | (206,953) |
| Consumer/ personal loans | 933,514 | 893,947 | 2,567,098 | 4,394,559 | (28,129) | (191,585) | (1,558,090) | (1,777,804) | (27,152) | (295,570) | (1,803,515) | (2,126,236) | 977 | (103,985) | (245,425) | (348,433) |
| Credit cards | 475,659 | 99,457 | 511,424 | 1,086,540 | (2,886) | (2,105) | (392,979) | (397,970) | (2,522) | (9,341) | (437,105) | (448,967) | 364 | (7,235) | (44,126) | (50,997) |
| Receivables from finance leases - (retail) | 19 | - | 464 | 483 | (0) | - | (369) | (369) | (4) | - | (385) | (389) | (4) | - | (16) | (19) |
| **Corporate loans** | **11,139,616** | **3,699,281** | **22,709,566** | **37,548,464** | **(129,411)** | **(140,962)** | **(11,145,307)** | **(11,415,680)** | **(114,348)** | **(348,348)** | **(12,104,652)** | **(12,567,348)** | **15,063** | **(207,386)** | **(959,345)** | **(1,151,668)** |
| **Public Sector** | **1,750,484** | **5,423** | **10,810** | **1,766,717** | **(34,955)** | **(101)** | **(464)** | **(35,519)** | **(534)** | **(545)** | **(387)** | **(1,466)** | **34,420** | **(444)** | **76** | **34,053** |
| **Total** | **20,772,157** | **7,704,783** | **31,503,074** | **59,980,013** | **(201,177)** | **(406,642)** | **(14,770,537)** | **(15,378,357)** | **(149,935)** | **(910,742)** | **(16,041,697)** | **(17,102,374)** | **51,242** | **(504,100)** | **(1,271,160)** | **(1,724,018)** |

| BANK | Gross balance as at 31/12/2017 | | | | Allowance for impairment for loans and advances to customers under IAS 39 as at 31/12/2017 | | | | Remeasurement of the allowance for impairment for loans and advances to customers under IFRS 9 as at 1/1/2018 | | | | Difference between IAS 39 and IFRS 9 in the allowance for impairment of loans and advances to customers | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **Retail** | **7,698,218** | **3,973,840** | **8,751,223** | **20,423,281** | **(35,680)** | **(264,780)** | **(3,611,898)** | **(3,912,357)** | **(34,489)** | **(560,381)** | **(3,922,999)** | **(4,517,869)** | **1,191** | **(295,601)** | **(311,101)** | **(605,512)** |
| Mortgages | 6,360,151 | 2,984,993 | 5,680,544 | **15,025,688** | (5,462) | (71,503) | (1,664,949) | **(1,741,914)** | (5,193) | (255,742) | (1,686,407) | **(1,947,342)** | 269 | (184,239) | (21,458) | **(205,429)** |
| Consumer/ personal loans | 870,394 | 889,569 | 2,559,917 | **4,319,880** | (27,521) | (191,244) | (1,554,604) | **(1,773,368)** | (26,858) | (295,366) | (1,800,047) | **(2,122,271)** | 663 | (104,123) | (245,443) | **(348,903)** |
| Credit cards | 467,673 | 99,278 | 510,762 | **1,077,713** | (2,697) | (2,033) | (392,345) | **(397,075)** | (2,438) | (9,273) | (436,545) | **(448,256)** | 259 | (7,240) | (44,200) | **(51,181)** |
| **Corporate loans** | **11,633,544** | **3,903,063** | **21,702,165** | **37,238,773** | **(117,632)** | **(132,032)** | **(10,461,935)** | **(10,711,599)** | **(105,542)** | **(319,963)** | **(11,370,532)** | **(11,796,036)** | **12,089** | **(187,930)** | **(908,597)** | **(1,084,438)** |
| **Public Sector** | **1,748,348** | **5,422** | **10,236** | **1,764,007** | **(34,954)** | **(101)** | **(288)** | **(35,343)** | **(509)** | **(545)** | **(203)** | **(1,257)** | **34,445** | **(444)** | **85** | **34,086** |
| **Total** | **21,080,111** | **7,882,325** | **30,463,624** | **59,426,060** | **(188,265)** | **(396,913)** | **(14,074,120)** | **(14,659,299)** | **(140,540)** | **(880,888)** | **(15,293,733)** | **(16,315,162)** | **47,725** | **(483,976)** | **(1,219,613)** | **(1,655,863)** |

## 4 Critical accounting estimates and judgements in the application of the accounting policies

The preparation of the Interim Financial Information requires Management to make judgments, estimates and assumptions by applying the accounting policies that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The most important areas where Management uses accounting estimates and judgements, in applying its accounting policies, are as follows:

### 4.1 Allowance for impairment on loans and advances to customers

The measurement of expected credit losses requires the use of complex models and significant estimates of future economic conditions and credit behavior. Significant estimates are also required to identify the criteria that indicate a significant increase in credit risk, the choice of appropriate methodologies for measuring expected credit risk losses and the determination of the alternative macroeconomic scenarios and the cumulative probabilities associated with these scenarios.

Risk factors include macroeconomic factors such as GDP, Unemployment Rates, House Price Index Evolution, bankruptcy trends, loan product features, the level of interest rates, account management policies and practices, changes in laws and regulations, and other influences on customer payment patterns. The methodology and the assumptions used in calculating the allowance for impairments on loans and advances to customers are reviewed regularly in the light of differences between allowance for impairments on loans and advances to customers estimated and actual loss experience.

For the individual assessment of the allowance on loans and advances to customers, judgement is required in evaluating all relevant information, including the consideration of whether payments are contractually past due and the consideration of other factors indicating deterioration in the financial condition and outlook of borrowers, affecting their ability to pay.

A higher level of judgement is required for loans to borrowers showing signs of financial difficulty in market sectors experiencing economic stress, particularly where the likelihood of repayment is affected by the prospects for refinancing or the sale of a specified asset.

The Group and the Bank might provide loan forbearance to borrowers experiencing financial difficulties by agreeing to modify the contractual payment terms of loans in order to improve the management of customer relationships, maximise collection opportunities or avoid default or repossession. Where forbearance activities are significant, higher levels of judgement and estimation uncertainty are involved in determining their effects on the allowance for impairment on loans and advances to customers. Judgements are involved in differentiating the credit risk characteristics of forbearance cases, including those which return to performing status following renegotiation.

The exercise of judgement requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions. Many of the factors have a high degree of interdependency.

### 4.2 Fair value of loans and advances to customers mandatorily at FVTPL

Loans that do not meet the criteria for classification at amortised cost, as their contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI fails), are measured at FVTPL.

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

### 4.3 Recoverability of Deferred Tax Assets

Management evaluates the recoverability of deferred tax asset at each reporting period. The recognition of a deferred tax asset relies on Management's assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies.

Management's estimates for the future tax results of the Group and the Bank and consequently the recoverability of the deferred tax asset, taking into account the revised Restructuring Plan approved as of 29 November 2015, by the European Commission and the most recent Business Plan approved by BoD, are based on the assumptions related to the Greek economy prospects, as well as on other actions or amendments already implemented, improving the evolution of the future profitability.

Moreover, Management examines the nature of the temporary differences and tax losses, as well as the ability for their recovery, in accordance with the prevailing tax legislation 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 (Deferred Tax Credit – DTC), under certain terms and conditions.

In relation to the provisions of Law 4172/2013 for deferred tax assets please refer to Note 10 of the Interim Financial Information.

Finally, at each reporting period, Management evaluates the consequences of the changes in the current tax legislation on the tax base of the Assets and Liabilities.

### 4.4 Fair value of investments measured at FVTPL

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

For the determination of the fair value of shares that are not traded in an active market, generally accepted valuation models and techniques are used, 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. Management, based on prior experience, adjusts if necessary, the relevant values in order to reflect the current market conditions.

### 4.5 Fair value of over the counter derivative instruments

The fair value of derivative financial instruments that are traded over the counter (OTC), with banking 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 takes 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 ("CDS").

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 Management.

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

### 4.6 Impairment of investments in subsidiaries, associated undertakings and joint ventures

Impairment testing of investments in subsidiaries, associates and joint ventures involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment. Management tests for impairment the investments in subsidiaries, associates and joint ventures, comparing the recoverable amount of the investment with its carrying amount. If as a result of this assessment, a permanent impairment occurs, the amount of the impairment loss is posted directly to the Income Statement of that period.

In these cases, a similar methodology is used with that described above, for the shares measured at fair value through other comprehensive income, while taking into account the present value of the estimated future cash flows expected to be generated by the subsidiary, the associate or the joint venture.

Amounts in thousand euros (Unless otherwise stated)

### 4.7 Fair value of investment property

Investment property is measured annually at fair value, which is determined in cooperation with independent certified 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, as described in Note 2.21 of the 2017 Annual consolidated and separate financial statements, 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 properties with a value 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 property, with similar characteristics.

### 4.8 Other receivables from the Greek public sector

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. Furthermore, reference to Management's estimates concerning the economic developments is made in Note 2.

As at 30 June 2018, the total carrying value of the Group and Bank's receivables from the Greek Public Sector was as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 30/6/2018 | 31/12/2017 | 30/6/2018 | 31/12/2017 |
| Derivative financial instruments - assets | 285,610 | 284,395 | 285,610 | 284,395 |
| Bonds and treasury bills at fair value through profit or loss | 778,072 | 8,006 | 778,072 | 8,006 |
| Loans to Public sector | 236,756 | 1,729,089 | 236,374 | 1,728,663 |
| Bonds, treasury bills and other variable income securities of available for sale portfolio | - | 1,701,181 | - | 1,701,181 |
| Bonds, treasury bills and other variable income securities at FVTOCI | 837,796 | - | 837,796 | - |
| Other assets | 542,452 | 508,045 | 538,233 | 501,516 |
| **Total** | **2,680,685** | **4,230,716** | **2,676,085** | **4,223,761** |

The movement in Loans to Public sector of € 1.5 billion both for the Group and the Bank, is mainly due to the repayment of funding provided to a public sector organisation, aiming the prompt distribution of European Union subsidies to Greek farmers.

Further to the adoption of IFRS 9 on 1/1/2018 an amount of € 1.7 billion for the Group and the Bank in line “Bonds, treasury bills and other variable income securities of available for sale portfolio” was transferred to line “Bonds, treasury bills and other variable income securities at FVTOCI”.

Amounts in thousand euros (Unless otherwise stated)

# 5 Financial risk management

## 5.1 Fair values of financial assets and liabilities

### 5.1.1 Financial 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 Statement of Financial Position at fair value.

| Group | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Assets | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Loans and advances to credit institutions | 1,019,147 | 2,147,758 | 1,020,424 | 2,147,773 |
| Loans and advances to customers at amortised cost | 39,380,616 | 44,719,530 | 38,626,615 | 43,860,463 |
| Debt securities - receivables | - | 23,109 | - | 22,586 |
| Reverse repos with customers | 255,904 | 90,253 | 255,904 | 90,254 |

| Group | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Liabilities | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Due to credit institutions | 5,558,962 | 11,435,086 | 5,558,962 | 11,435,086 |
| Due to customers | 42,102,483 | 42,715,252 | 42,102,475 | 42,715,252 |
| Debt securities in issue | 530,779 | 435,277 | 512,156 | 407,930 |
| Obligations under finance leases | 70,704 | 72,542 | 70,704 | 72,542 |

| Bank | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Assets | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Loans and advances to credit institutions | 1,021,865 | 2,091,669 | 1,021,865 | 2,091,669 |
| Loans and advances to customers at amortised cost | 40,204,384 | 44,884,572 | 39,673,458 | 44,068,011 |
| Debt securities - receivables | - | 23,109 | - | 22,586 |
| Reverse repos with customers | 255,904 | 88,874 | 255,904 | 88,874 |

| Bank | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Liabilities | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Due to credit institutions | 5,768,999 | 11,771,541 | 5,768,999 | 11,771,541 |
| Due to customers | 42,288,806 | 41,300,806 | 42,288,806 | 41,300,806 |
| Debt securities in issue | 530,779 | 435,277 | 512,156 | 407,930 |

The fair values of Loans and advances to credit institutions, Reverse repos with customers, Due to credit institutions and Due to customers which are measured at amortised 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, are discounted with the risk free rate.

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

The fair value of Debt securities – receivables as at 31/12/2017 was 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 Obligations under finance leases, which are measured according to IAS 17, has been calculated using a discounted cash flow model taking into account yield curves and any adjustments for credit risk.

### 5.1.2 Financial assets and liabilities measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date, under current market conditions.

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The Group considers relevant and observable market prices in its valuations where possible. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

<u>Level 1</u>
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.

<u>Level 2</u>
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, bonds and shares. Input parameters are based on yield curves or data which are observable and are not included in Level 1.

<u>Level 3</u>
The valuation of assets and liabilities is carried out by introducing variables that are not based on observable market data. Level 3 includes shares measured at fair value, derivative financial instruments and investment property. Shares, derivative financial instruments within Level 3 are not traded in an active market or there are no available prices in order to determine their fair value. Specifically:

Shares and other variable income securities at fair value

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 Group 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 Group, based on prior experience, adjusts if necessary, the relevant values in order to reflect the current market conditions.

Derivative financial instruments

Derivative financial instruments held by the Group and the Bank, which are not traded in an active market or there are no available prices for, are valued using internally developed valuation models incorporating unobservable inputs and are included in Level 3 of derivative financial assets/ liabilities.

Amounts in thousand euros (Unless otherwise stated)

The aforementioned derivatives are accounted at fair value. The fair value of derivatives 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.

Bonds and the loans and advances to customers that fail the SPPI test are mandatorily classified at FVTPL and are included in Level 3.

The fair value of the convertible bonds which are classified mandatorily at FVTPL, and included in Level 3 hierarchy, 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 fair value of loans and advances to customers mandatorily at FVTPL has been calculated using a discounted cash flow model, taking into account yield curves and any adjustments for credit risk.

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

| **Group**<br>**Assets & Liabilities measured at fair value as at 30/6/2018** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments - assets | - | 368,354 | 4,468 | **372,822** |
| Financial instruments at FVTPL | 943,056 | - | - | **943,056** |
| - Bonds | 203,612 | - | - | **203,612** |
| - Treasury bills | 719,381 | - | - | **719,381** |
| - Shares & other variable income securities | 20,062 | - | - | **20,062** |
| Financial assets mandatorily at FVTPL | 65,648 | - | 57,241 | **122,889** |
| - Bonds | - | - | 18,703 | **18,703** |
| - Shares & other variable income securities | 65,648 | - | 38,538 | **104,187** |
| Loans and advances to customers mandatorily at FVTPL | - | - | 98,084 | **98,084** |
| Financial assets at FVTOCI | 942,165 | 51,233 | 141,811 | **1,135,210** |
| - Bonds | 923,111 | - | - | **923,111** |
| - Shares & other variable income securities | 19,054 | 51,233 | 141,811 | **212,098** |
| **Liabilities** | | | | |
| Derivative financial instruments - liabilities | - | 381,289 | 7,327 | **388,616** |
| Liabilities at FVTPL | 74,793 | - | - | **74,793** |

| **Group**<br>**Assets & Liabilities measured at fair value as at 31/12/2017** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments - assets | - | 445,532 | 14,461 | **459,993** |
| Financial instruments at FVTPL | 34,644 | 1,465,180 | - | **1,499,824** |
| - Bonds | 11,065 | - | - | **11,065** |
| - Shares & other variable income securities | 23,579 | - | - | **23,579** |
| - Other financial instruments | - | 1,465,180 | - | **1,465,180** |
| Available for Sale Securities | 1,832,255 | 211,845 | 159,703 | **2,203,803** |
| - Bonds | 583,768 | 135,766 | - | **719,534** |
| - Treasury bills | 1,148,569 | 34,127 | - | **1,182,696** |
| - Shares & other variable income securities | 99,918 | 41,952 | 159,703 | **301,573** |
| **Liabilities** | | | | |
| Derivative financial instruments - liabilities | - | 377,292 | 24,941 | **402,233** |

Amounts in thousand euros (Unless otherwise stated)

| Bank<br>Assets & Liabilities measured at fair value as at 30/6/2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments - assets | - | 368,357 | 4,468 | **372,825** |
| Financial instruments at FVTPL | 922,563 | - | - | **922,563** |
| - Bonds | 203,182 | - | - | **203,182** |
| - Treasury bills | 719,381 | - | - | **719,381** |
| - Shares & other variable income securities | - | - | - | **0** |
| Financial assets mandatorily at FVTPL | 65,648 | - | 57,240 | **122,888** |
| - Bonds | - | - | 18,703 | **18,703** |
| - Shares & other variable income securities | 65,648 | - | 38,538 | **104,186** |
| Loans and advances to customers mandatorily at FVTPL | - | - | 98,033 | **98,033** |
| Financial assets at FVTOCI | 937,484 | 51,233 | 138,513 | **1,127,230** |
| - Bonds | 918,430 | - | - | **918,430** |
| - Shares & other variable income securities | 19,054 | 51,233 | 138,513 | **208,800** |
| **Liabilities** | | | | |
| Derivative financial instruments - liabilities | - | 381,308 | 7,327 | **388,635** |
| Liabilities at FVTPL | 74,793 | - | - | **74,793** |

| Bank<br>Assets & Liabilities measured at fair value as at 31/12/2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments - assets | - | 446,941 | 14,461 | **461,402** |
| Financial instruments at FVTPL | 11,065 | 1,465,180 | - | **1,476,244** |
| - Bonds | 11,065 | - | - | **11,065** |
| - Other financial instruments | - | 1,465,180 | - | **1,465,180** |
| Available for Sale Securities | 1,823,772 | 40,519 | 155,173 | **2,019,464** |
| - Bonds | 575,284 | - | - | **575,284** |
| - Treasury bills | 1,148,569 | - | - | **1,148,569** |
| - Shares & other variable income securities | 99,918 | 40,519 | 155,173 | **295,611** |
| **Liabilities** | | | | |
| Derivative financial instruments - liabilities | - | 378,940 | 24,941 | **403,881** |

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

For assets and liabilities valued at fair value on 30/6/2018 and 31/12/2017, no transfer from Level 1 to Level 2 and vice versa occurred during 2017 and in the period 1/1 - 30/6/2018.

Amounts in thousand euros (Unless otherwise stated)

The following tables present the movement of financial assets and liabilities at FVTPL and FVTOCI within Level 3 as at 30/6/2018 and 31/12/2017:

| **Group**<br>**Reconciliation of Level 3 items (for the period 1/1-30/6/2018)** | **Financial assets mandatorily at fair value through profit or loss** | **Loans and advances to customers mandatorily at fair value through profit or loss** | **Financial assets at fair value through other comprehensive income** | **Derivative financial instruments - assets** | **Derivative financial instruments - liabilities** |
|---|---|---|---|---|---|
| Closing Balance 31/12/2017 | 0 | 0 | 0 | 14,461 | 24,941 |
| Reclassification/Remeasurement due to IFRS 9 adoption | 62,544 | 107,011 | 115,746 | (9,992) | - |
| **Opening balance 1/1/2018** | **62,544** | **107,011** | **115,746** | **4,469** | **24,941** |
| Profit/ (loss) for the period | 14 | (1,403) | 84 | (0) | (17,615) |
| - Unrealized | (561) | (1,403) | - | (0) | (17,615) |
| - Realized | 575 | - | 84 | - | - |
| Other comprehensive income | - | - | (5,330) | - | - |
| Purchases | - | - | 31,567 | - | - |
| Disposals/ Settlements | - | 1 | (256) | - | - |
| Transfer into Level 3 | - | 206 | - | - | - |
| Transfer to other assets | (5,317) | - | - | - | - |
| Transfer to Held for sale | - | (7,731) | - | - | - |
| **Closing balance 30/6/2018** | **57,241** | **98,084** | **141,811** | **4,468** | **7,327** |

| **Group**<br>**Reconciliation of Level 3 items (for the year 2017)** | **Available for sale shares & other variable income securities** | **Derivative financial instruments - assets** | **Derivative financial instruments - liabilities** |
|---|---|---|---|
| Opening balance 1/1/2017 | 184,451 | 6,001 | - |
| Opening balance of discontinued operations | (294) | - | - |
| Profit/ (loss) for the year | - | 8,460 | 24,941 |
| - Unrealized | - | 8,460 | 24,941 |
| - Realized | - | - | - |
| Other comprehensive income | (19,499) | - | - |
| Purchases | 1,854 | - | - |
| Impairment | (2,000) | - | - |
| Disposals/ Settlements | (2,337) | - | - |
| Transfer into Level 3 | 3,424 | - | - |
| Transfer to Loans and advances to customers | (5,896) | - | - |
| **Closing balance 31/12/2017** | **159,703** | **14,461** | **24,941** |

Amounts in thousand euros (Unless otherwise stated)

| **Bank**<br>**Reconciliation of Level 3 items (for the period 1/1-30/6/2018)** | **Financial assets mandatorily at fair value through profit or loss** | **Loans and advances to customers mandatorily at fair value through profit or loss** | **Financial assets at fair value through other comprehensive income** | **Derivative financial instruments - assets** | **Derivative financial instruments - liabilities** |
|---|---|---|---|---|---|
| Closing Balance 31/12/2017 | 0 | 0 | 0 | 14,461 | 24,941 |
| Reclassification/Remeasurement due to IFRS 9 adoption | 62,544 | 106,948 | 111,312 | (9,992) | - |
| **Opening balance 1/1/2018** | **62,544** | **106,948** | **111,312** | **4,469** | **24,941** |
| Profit/ (loss) for the period | 14 | (1,390) | 84 | (0) | (17,615) |
| - Unrealized | (561) | (1,390) | - | (0) | (17,615) |
| - Realized | 575 | - | 84 | - | - |
| Other comprehensive income | - | - | (4,320) | - | - |
| Purchases | - | - | 31,567 | - | - |
| Disposals/ Settlements | - | - | (130) | - | - |
| Transfer into Level 3 | - | 206 | - | - | - |
| Transfer to other assets | (5,317) | - | - | - | - |
| Transfer to Held for sale | - | (7,731) | - | - | - |
| **Closing balance 30/6/2018** | **57,240** | **98,033** | **138,513** | **4,468** | **7,327** |

| **Bank**<br>**Reconciliation of Level 3 items (for the year 2017)** | **Available for sale shares & other variable income securities** | **Derivative financial instruments - assets** | **Derivative financial instruments - liabilities** |
|---|---|---|---|
| Opening balance 1/1/2017 | 183,313 | 6,001 | - |
| Profit/ (loss) for the year | - | 8,460 | 24,941 |
| - Unrealized | - | 8,460 | 24,941 |
| - Realized | - | - | - |
| Other comprehensive income | (19,760) | - | - |
| Purchases | 1,854 | - | - |
| Impairment | (2,000) | - | - |
| Disposals/ Settlements | (2,337) | - | - |
| Transfer into Level 3 | - | - | - |
| Transfer to Loans and advances to customers | (5,896) | - | - |
| **Closing balance 31/12/2017** | **155,173** | **14,461** | **24,941** |

Amounts in thousand euros (Unless otherwise stated)

The following tables present the sensitivity analysis of Level 3 financial assets at FVTPL, financial assets at fair value through other comprehensive income and derivative financial instruments - assets/liabilities:

| Sensitivity analysis of Level 3 hierarchy: | Group | | Bank | |
|---|---|---|---|---|
| | 30/6/2018 | | 30/6/2018 | |
| | Favourable changes | Unfavourable changes | Favourable changes | Unfavourable changes |
| **Income Statement** | | | | |
| Derivative financial instruments - assets | 225 | (225) | 225 | (225) |
| Financial assets mandatorily at FVTPL | 30,046 | (2,849) | 30,046 | (2,849) |
| Loans and advances to customers mandatorily at FVTPL | 55 | (50) | 55 | (50) |
| Derivative financial instruments - liabilities | 1,074 | 224 | 1,074 | 224 |
| **Equity Statement** | | | | |
| Financial assets at fair value through other comprehensive income | 13,536 | (9,855) | 13,536 | (9,855) |

| Sensitivity analysis of Level 3 hierarchy: | Group | | Bank | |
|---|---|---|---|---|
| | 31/12/2017 | | 31/12/2017 | |
| | Favourable changes | Unfavourable changes | Favourable changes | Unfavourable changes |
| **Income Statement** | | | | |
| Derivative financial instruments - assets | 3,281 | (2,675) | 3,281 | (2,675) |
| Available for sale shares & other variable income securities | - | (37,304) | - | (37,304) |
| Derivative financial instruments - liabilities | 2,472 | (2,457) | 2,472 | (2,457) |
| **Equity Statement** | | | | |
| Available for sale shares & other variable income securities | 17,225 | 633 | 17,210 | 667 |

Considering changes in the underlying share price by +/- 5%, in the volatility of the share price by +/- 10%, in interest rates by +/- 10 basis points and in credit spreads by +/- 100 basis points, the change in the fair value of the derivatives as compared to their fair value as at 30/6/2018, will range for the Group and the Bank between +5% in the scenarios of favorable changes and -5% in the scenarios of unfavorable changes for derivatives financial instruments – assets and between -15% in the scenarios of favorable changes and -3% in the scenarios of unfavorable changes for derivatives financial instruments – liabilities.

The estimation of the change in the value of the shares measured at fair value 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.

Furthermore, 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 Group based on prior experience, adjusts further where necessary, these values so as to assess the possible changes.

The scenarios of favourable and unfouvarable changes in Loans and advances to customers mandatorily at FVTPL took into account changes in interest rates by +/- 10 basis points.

Amounts in thousand euros (Unless otherwise stated)

### 5.2 Credit Risk Management

#### 5.2.1 Loans and advances to customers at amortised cost

The amounts of loans and advances to customers at amortised cost before allowances for impairment on loans and advances to customers have been reduced by the fair value adjustment, in the context of the purchase price allocation exercise of the operations acquired. Specifically, the remaining allowance for impairment on loans and advances to customers of the Group and the Bank amounting to € 4.6 billion and € 4.5 billion respectively at 30/6/2018 relating to 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., which at their acquisition date by the Group and Bank amounted to € 8.1 billion and € 7.9 billion respectively, has increased the gross balance of loans and advances to customers and the allowance for impairment on loans and advances to customers respectively in the table below. As for purposes of credit risk monitoring in accordance with IFRS 7, the aforementioned adjustment is part of the allowance for impairment on loans and advances to customers.

Loans and advances to customers at amortised cost are summarised as follows:

| Group | | | 30/06/2018 | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total |
| **Mortgages** | | | | | |
| Gross carrying amount | 6,112,787 | 2,438,695 | 3,330,223 | 2,875,381 | 14,757,085 |
| Less: Allowance for impairment losses on loans and advances to customers | (5,244) | (152,621) | (975,152) | (794,401) | (1,927,418) |
| **Total Mortgages** | **6,107,543** | **2,286,073** | **2,355,071** | **2,080,980** | **12,829,667** |
| **Consumer/personal and other loans** | | | | | |
| Gross carrying amount | 872,238 | 566,428 | 1,221,941 | 1,262,753 | 3,923,359 |
| Less: Allowance for impairment losses on loans and advances to customers | (21,064) | (108,076) | (791,523) | (801,370) | (1,722,033) |
| **Total Consumer / personal and other loans** | **851,174** | **458,352** | **430,417** | **461,383** | **2,201,326** |
| **Credit cards** | | | | | |
| Gross carrying amount | 516,375 | 90,829 | 263,693 | 140,220 | 1,011,116 |
| Less: Allowance for impairment losses on loans and advances to customers | (2,550) | (8,025) | (212,401) | (120,633) | (343,609) |
| **Total Credit cards** | **513,825** | **82,803** | **51,292** | **19,587** | **667,507** |
| **Total Loans to individuals** | | | | | |
| Gross carrying amount | 7,501,399 | 3,095,951 | 4,815,856 | 4,278,354 | 19,691,560 |
| Less: Allowance for impairment losses on loans and advances to customers | (28,858) | (268,723) | (1,979,076) | (1,716,404) | (3,993,060) |
| **Total Loans to individuals** | **7,472,541** | **2,827,229** | **2,836,780** | **2,561,950** | **15,698,500** |
| **Loans to corporate entities and public sector** | | | | | |
| Gross carrying amount | 11,110,952 | 2,758,881 | 15,405,928 | 4,781,723 | 34,057,483 |
| Less: Allowance for impairment losses on loans and advances to customers | (125,517) | (222,823) | (7,439,434) | (2,587,592) | (10,375,366) |
| **Total Loans to corporate entities and public sector** | **10,985,435** | **2,536,058** | **7,966,494** | **2,194,131** | **23,682,117** |
| **Total loans and advances to customers** | | | | | |
| Gross carrying amount | 18,612,351 | 5,854,832 | 20,221,784 | 9,060,076 | 53,749,044 |
| Less: Allowance for impairment losses on loans and advances to customers | (154,375) | (491,545) | (9,418,511) | (4,303,996) | (14,368,427) |
| **Total Loans and advances to customers** | **18,457,976** | **5,363,287** | **10,803,274** | **4,756,080** | **39,380,617** |

Amounts in thousand euros (Unless otherwise stated)

| Group | 1/1/2018 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total |
| **Mortgages** | | | | | |
| Gross carrying amount | 6,472,864 | 2,643,950 | 3,094,653 | 2,971,783 | 15,183,250 |
| Less: Allowance for impairment losses on loans and advances to customers | (5,375) | (218,915) | (938,872) | (794,805) | (1,957,967) |
| **Total Mortgages** | **6,467,489** | **2,425,035** | **2,155,781** | **2,176,978** | **13,225,283** |
| **Consumer/personal and other loans** | | | | | |
| Gross carrying amount | 933,533 | 753,655 | 1,134,964 | 1,572,890 | 4,395,042 |
| Less: Allowance for impairment losses on loans and advances to customers | (27,155) | (246,920) | (759,645) | (1,092,905) | (2,126,625) |
| **Total Consumer / personal and other loans** | **906,378** | **506,735** | **375,320** | **479,984** | **2,268,417** |
| **Credit cards** | | | | | |
| Gross carrying amount | 475,659 | 98,661 | 310,942 | 201,279 | 1,086,540 |
| Less: Allowance for impairment losses on loans and advances to customers | (2,522) | (9,309) | (261,954) | (175,183) | (448,967) |
| **Total Credit cards** | **473,138** | **89,352** | **48,987** | **26,096** | **637,573** |
| **Total Loans to individuals** | | | | | |
| Gross carrying amount | 7,882,056 | 3,496,266 | 4,540,559 | 4,745,951 | 20,664,832 |
| Less: Allowance for impairment losses on loans and advances to customers | (35,052) | (475,143) | (1,960,471) | (2,062,893) | (4,533,560) |
| **Total Loans to individuals** | **7,847,004** | **3,021,123** | **2,580,088** | **2,683,058** | **16,131,273** |
| **Loans to corporate entities and public sector** | | | | | |
| Gross carrying amount | 12,890,101 | 3,404,996 | 16,979,358 | 6,040,727 | 39,315,181 |
| Less: Allowance for impairment losses on loans and advances to customers | (114,883) | (316,034) | (8,829,051) | (3,308,847) | (12,568,815) |
| **Total Loans to corporate entities and public sector** | **12,775,218** | **3,088,962** | **8,150,306** | **2,731,880** | **26,746,366** |
| **Total loans and advances to customers** | | | | | |
| Gross carrying amount | 20,772,157 | 6,901,262 | 21,519,917 | 10,786,678 | 59,980,013 |
| Less: Allowance for impairment losses on loans and advances to customers | (149,935) | (791,177) | (10,789,523) | (5,371,740) | (17,102,374) |
| **Total Loans and advances to customers** | **20,622,222** | **6,110,085** | **10,730,394** | **5,414,938** | **42,877,639** |

Amounts in thousand euros (Unless otherwise stated)

| **Bank** | **30/06/2018** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total** |
| **Mortgages** | | | | | |
| Gross carrying amount | 6,112,470 | 2,438,686 | 3,327,775 | 2,875,381 | 14,754,313 |
| Less: Allowance for impairment losses on loans and advances to customers | (5,228) | (152,527) | (972,998) | (794,401) | (1,925,154) |
| **Total Mortgages** | **6,107,243** | **2,286,159** | **2,354,777** | **2,080,980** | **12,829,159** |
| **Consumer/personal and other loans** | | | | | |
| Gross carrying amount | 864,188 | 566,424 | 1,220,426 | 1,262,753 | 3,913,790 |
| Less: Allowance for impairment losses on loans and advances to customers | (21,020) | (108,074) | (790,355) | (801,370) | (1,720,819) |
| **Total Consumer / personal and other loans** | **843,168** | **458,350** | **430,070** | **461,383** | **2,192,971** |
| **Credit cards** | | | | | |
| Gross carrying amount | 515,968 | 90,817 | 263,620 | 140,220 | 1,010,625 |
| Less: Allowance for impairment losses on loans and advances to customers | (2,529) | (8,017) | (212,329) | (120,633) | (343,508) |
| **Total Credit cards** | **513,439** | **82,800** | **51,291** | **19,587** | **667,117** |
| **Total Loans to individuals** | | | | | |
| Gross carrying amount | 7,492,627 | 3,095,927 | 4,811,821 | 4,278,354 | 19,678,728 |
| Less: Allowance for impairment losses on loans and advances to customers | (28,777) | (268,618) | (1,975,682) | (1,716,404) | (3,989,481) |
| **Total Loans to individuals** | **7,463,850** | **2,827,309** | **2,836,138** | **2,561,950** | **15,689,247** |
| **Loans to corporate entities and public sector** | | | | | |
| Gross carrying amount | 11,869,994 | 3,448,050 | 14,387,758 | 4,579,408 | 34,285,210 |
| Less: Allowance for impairment losses on loans and advances to customers | (182,932) | (199,198) | (6,942,980) | (2,444,962) | (9,770,072) |
| **Total Loans to corporate entities and public sector** | **11,687,062** | **3,248,852** | **7,444,778** | **2,134,446** | **24,515,138** |
| **Total loans and advances to customers** | | | | | |
| Gross carrying amount | 19,362,620 | 6,543,977 | 19,199,578 | 8,857,762 | 53,963,938 |
| Less: Allowance for impairment losses on loans and advances to customers | (211,709) | (467,817) | (8,918,663) | (4,161,366) | (13,759,553) |
| **Total Loans and advances to customers** | **19,150,912** | **6,076,161** | **10,280,916** | **4,696,396** | **40,204,385** |

Amounts in thousand euros (Unless otherwise stated)

| Bank | 1/1/2018 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total |
| **Mortgages** | | | | | |
| Gross carrying amount | 6,360,151 | 2,622,268 | 3,071,486 | 2,971,783 | 15,025,688 |
| Less: Allowance for impairment losses on loans and advances to customers | (5,193) | (217,718) | (929,627) | (794,805) | (1,947,342) |
| **Total Mortgages** | **6,354,958** | **2,404,551** | **2,141,859** | **2,176,978** | **13,078,346** |
| **Consumer/personal and other loans** | | | | | |
| Gross carrying amount | 870,394 | 749,277 | 1,127,320 | 1,572,890 | 4,319,880 |
| Less: Allowance for impairment losses on loans and advances to customers | (26,858) | (246,716) | (755,792) | (1,092,905) | (2,122,271) |
| **Total Consumer / personal and other loans** | **843,536** | **502,561** | **371,528** | **479,984** | **2,197,609** |
| **Credit cards** | | | | | |
| Gross carrying amount | 467,673 | 98,482 | 310,279 | 201,279 | 1,077,713 |
| Less: Allowance for impairment losses on loans and advances to customers | (2,438) | (9,241) | (261,394) | (175,183) | (448,256) |
| **Total Credit cards** | **465,235** | **89,242** | **48,885** | **26,096** | **629,457** |
| **Total Loans to individuals** | | | | | |
| Gross carrying amount | 7,698,218 | 3,470,027 | 4,509,085 | 4,745,951 | 20,423,281 |
| Less: Allowance for impairment losses on loans and advances to customers | (34,489) | (473,674) | (1,946,813) | (2,062,893) | (4,517,869) |
| **Total Loans to individuals** | **7,663,729** | **2,996,353** | **2,562,272** | **2,683,058** | **15,905,412** |
| **Loans to corporate entities and public sector** | | | | | |
| Gross carrying amount | 13,381,893 | 3,608,777 | 16,208,041 | 5,804,069 | 39,002,779 |
| Less: Allowance for impairment losses on loans and advances to customers | (106,051) | (287,649) | (8,254,285) | (3,149,308) | (11,797,293) |
| **Total Loans to corporate entities and public sector** | **13,275,841** | **3,321,128** | **7,953,756** | **2,654,761** | **27,205,486** |
| **Total loans and advances to customers** | | | | | |
| Gross carrying amount | 21,080,111 | 7,078,805 | 20,717,126 | 10,550,020 | 59,426,060 |
| Less: Allowance for impairment losses on loans and advances to customers | (140,540) | (761,323) | (10,201,098) | (5,212,201) | (16,315,162) |
| **Total Loans and advances to customers** | **20,939,571** | **6,317,482** | **10,516,027** | **5,337,819** | **43,110,898** |

The table below analyzes the impact of IFRS 9 transition on the Allowance for impairment on loans and advances to customers. Further analysis into stages is provided in Note 3:

| | Group | Bank |
|---|---|---|
| | Allowance for impairment for loans and advances to customers | Allowance for impairment for loans and advances to customers |
| Allowance for impairment on loans and advances to customers 31/12/17 with IAS 39 | 15,540,507 | 14,821,347 |
| Transfer of allowance of loans and advances to customers mandatorily at FVTPL | (162,148) | (162,048) |
| IFRS 9 transitional impact | 1,724,018 | 1,655,863 |
| **Opening balance 1/1/2018 with IFRS 9** | **17,102,377** | **16,315,162** |

Amounts in thousand euros (Unless otherwise stated)

The following table presents the reconciliation of the Allowance for impairment on loans and advances to customers for the Group and the Bank:

| **Group** | **Allowance for impairment losses on loans and advances to customers** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total allowance** |
| Balance at 1/1/2018 | 149,935 | 791,177 | 10,789,523 | 5,371,740 | 17,102,374 |
| Transfer to discontinued operations | (2,191) | (2,713) | (79,156) | - | (84,059) |
| Transfers between Stages (net) | 43,554 | (190,635) | 147,080 | - | 0 |
| Profit/ (loss) due to changes in credit risk | (32,283) | (111,827) | 491,032 | (101,648) | 245,275 |
| Write-offs | (147) | (1,770) | (1,103,403) | (445,896) | (1,551,216) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | (71) | (1,943) | (321,034) | (182,155) | (505,203) |
| Change in the present value of the impairment allowance | 7 | 1,587 | 235,655 | 159,062 | 396,311 |
| Transfers to held for sale porfolio | (0) | (2,696) | (807,917) | (528,040) | (1,338,653) |
| Foreign exchange differences and other movements | (4,431) | 10,365 | 66,730 | 30,933 | 103,597 |
| **Balance at 30/6/2018** | **154,375** | **491,545** | **9,418,511** | **4,303,996** | **14,368,427** |

| **Bank** | **Allowance for impairment losses on loans and advances to customers** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total allowance** |
| Balance at 1/1/2018 | 140,540 | 761,323 | 10,201,098 | 5,212,201 | 16,315,162 |
| Transfers between Stages (net) | 49,558 | (191,231) | 141,673 | - | 0 |
| Profit/ (loss) due to changes in credit risk | (33,851) | (106,272) | 496,095 | (85,994) | 269,978 |
| Write-offs | (147) | (1,770) | (1,088,178) | (445,896) | (1,535,991) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | (7) | (1,940) | (306,736) | (177,295) | (485,978) |
| Change in the present value of the impairment allowance | 7 | 1,587 | 227,165 | 155,456 | 384,216 |
| Transfers to held for sale porfolio | (0) | (2,696) | (807,917) | (528,040) | (1,338,653) |
| Foreign exchange differences and other movements | 55,609 | 8,816 | 55,462 | 30,933 | 150,820 |
| **Balance at 30/6/2018** | **211,708** | **467,817** | **8,918,662** | **4,161,366** | **13,759,553** |

The Piraeus Bank Group has adopted the preferred by Transition Resource Group for Impairment of Financial Instruments (“ITG”) approach (namely “Approach A”) for measuring interest income on credit impaired loans and advances to customers in order to fully comply with IFRS 9. According to the ITG recommended approach, both the gross carrying amount of the credit impaired loans and their respective loan loss allowances are being “grossed up” by the amount of the corresponding accrued interest income. According to the IFRS 9 rules, the gross carrying amount of a financial asset may be directly reduced when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. As such, the Group and the Bank proceed with writing off the amount of the “gross up” of the loan balance as it is considered not recoverable. In the table presented above, the line item “Write-off of accrued interest relating to the grossing up approach for Stage 3 loans” refers to the aforementioned adjustment carried out.

Amounts in thousand euros (Unless otherwise stated)

#### 5.2.2 Financial assets at fair value through other comprehensive income

The following table presents the reconciliation of the Allowance for impairment on financial assets at FVTOCI for the Group and the Bank:

| Group | Allowance for impairment losses on financial assets at fair value through other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Credit impaired Lifetime ECL | POCI Credit impaired Lifetime ECL | Total allowance |
| Balance at 1/1/2018 | 26,656 | - | - | - | 26,656 |
| Transfers between Stages (net) | - | - | - | - | 0 |
| Profit/ (loss) due to changes in credit risk | (7,222) | - | - | - | (7,222) |
| Foreign exchange differences and other movements | (9,633) | - | - | - | (9,633) |
| **Balance at 30/6/2018** | **9,801** | **0** | **0** | **0** | **9,801** |

| Bank | Allowance for impairment losses on financial assets at fair value through other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Credit impaired Lifetime ECL | POCI Credit impaired Lifetime ECL | Total allowance |
| Balance at 1/1/2018 | 26,656 | - | - | - | 26,656 |
| Transfers between Stages (net) | - | - | - | - | 0 |
| Profit/ (loss) due to changes in credit risk | (7,222) | - | - | - | (7,222) |
| Foreign exchange differences and other movements | (9,633) | - | - | - | (9,633) |
| **Balance at 30/6/2018** | **9,801** | **0** | **0** | **0** | **9,801** |

## 6 Business segments

In Q1 2018 the Executive Committee of the Group in line with the implementation of "Agenda 2020" strategic plan has changed its segment analysis from the traditional product oriented segmentation applied up to and including 31 December 2017 to a customer oriented segmentation perspective. To be aligned with the new segmentation the following transfers from the previous segments have taken place:

1. Customers relating to the Recovery Business Unit have been transferred from the previous Retail and Corporate segments to the new Piraeus Legacy Unit (PLU) segment.

2. Small Medium Enterprises (SME) have been transferred from the Retail segment to the Corporate segment.

3. Investment Banking has been included in the Corporate segment.

4. A new liquidity premium curve has been introduced to the Funds Transfer Pricing (FTP) methodology among other changes.

The new segments that have derived from the above are defined as follows:

**Piraeus "Core" Segments**

**Retail Banking:** This segment includes Mass, Affluent, Private Banking, Small Businesses, and Public Core segments and Channels.

**Corporate Banking**: This segment includes facilities relating to Large Corporates, Shipping, SME and the Agricultural Segments.

**Piraeus Financial Markets (PFM):** This segment includes the Fixed Income, Foreign Exchange, Treasury activities (including the interest rate gap resulting from all bank activities) as well as the Institutional Clients' Segments.

**Other:** This segment includes the results of all management related activities, which cannot or should not be allocated to specific customer segments. This segment also includes all the funding related transactions, which are the result of ALCO decision.

**"Piraeus Legacy Unit" Segment**

**PLU:** This segment includes the Recovery Banking Unit (RBU) which is considered to be non-core business, the international subsidiaries as there is a clear commitment through the Bank's Restructuring Plan to deleverage from its foreign assets as well as Real Estate Owned (REO), non-core Greek subsidiaries and discontinued operations.

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

An analysis of the results and other financial figures per business segment of the Group are presented below:

Amounts in thousand euros (Unless otherwise stated)

| 1/1-30/6/2018 | Core | | | | | PLU | Group |
|---|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | PFM | Other | Total | | |
| Net interest income | 285,962 | 247,463 | 14,249 | 23,406 | 571,080 | 128,397 | **699,477** |
| Net fee and commission income | 85,022 | 64,621 | (662) | (5,554) | 143,426 | 5,257 | **148,684** |
| Other income/ (expenses) | 1,674 | 646 | 25,278 | 32,156 | 59,754 | 2,168 | **61,922** |
| **Total Net Income** | **372,659** | **312,729** | **38,865** | **50,008** | **774,261** | **135,823** | **910,084** |
| Operating expenses | (248,166) | (78,168) | (10,570) | (200,694) | (537,597) | (112,255) | **(649,853)** |
| **Profit/ (loss) before provisions, impairment and income tax** | **124,493** | **234,562** | **28,296** | **(150,686)** | **236,664** | **23,567** | **260,231** |
| Impairment losses on loans and advances to customers | (16,586) | (57,347) | 103 | 248 | (73,583) | (171,692) | **(245,275)** |
| Impairment losses on other assets | - | - | - | (12,783) | (12,783) | (7,225) | **(20,009)** |
| Impairment (losses)/ releases on financial assets at fair value through other comprehensive income | - | - | - | 7,222 | 7,222 | - | **7,222** |
| Impairment on participations | - | - | - | (497) | (497) | (49,298) | **(49,795)** |
| Other impairment losses | - | - | - | (4,102) | (4,102) | 128 | **(3,974)** |
| Other provision releases/ (charges) | - | - | - | 14,441 | 14,441 | (3,014) | **11,426** |
| Share of profit/ (loss) of associates and joint ventures | - | - | - | (23,982) | (23,982) | (7) | **(23,989)** |
| **Profit/ (loss) before tax** | **107,906** | **177,215** | **28,399** | **(170,140)** | **143,379** | **(207,542)** | **(64,163)** |
| Income tax benefit/ (expense) | | | | | | | 6,425 |
| **Profit/ (loss) for the period from continuing operations** | | | | | | | **(57,737)** |
| Profit/ (loss) after income tax from discontinued operations | - | - | - | - | - | (312,656) | (312,656) |
| **Profit/ (loss) for the period** | | | | | | | **(370,394)** |
| **As at 30 June 2018** | | | | | | | |
| Total assets from continuing operations (excluding assets held for sale) | 10,496,262 | 13,582,444 | 3,488,785 | 10,165,020 | 37,732,510 | 19,028,564 | **56,761,075** |
| Total assets from discontinued operations | - | - | - | - | - | 1,974,195 | **1,974,195** |
| Assets held for sale | 373 | 44 | - | - | 417 | 486,344 | **486,761** |
| Total liabilities | 31,940,448 | 6,944,537 | 8,401,092 | 3,781,283 | 51,067,361 | 807,724 | **51,875,085** |

Amounts in thousand euros (Unless otherwise stated)

| 1/1-30/6/2017 | Core | | | | | PLU | Group |
|---|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | PFM | Other | Total | | |
| Net interest income | 294,873 | 262,398 | 100,639 | (44,417) | 613,493 | 218,927 | **832,420** |
| Net fee and commission income | 74,699 | 69,522 | 2,164 | (1,314) | 145,070 | 4,320 | **149,390** |
| Other income/ (expenses) | 1,484 | 477 | 68,163 | (9,596) | 60,528 | 104,967 | **165,495** |
| **Net Income** | **371,056** | **332,397** | **170,966** | **(55,327)** | **819,091** | **328,214** | **1,147,305** |
| Operating expenses | (258,402) | (98,695) | (15,187) | (40,891) | (413,175) | (112,952) | **(526,126)** |
| **Profit/ (loss) before provisions, impairment and income tax** | **112,654** | **233,702** | **155,778** | **(96,218)** | **405,916** | **215,262** | **621,178** |
| Impairment losses on loans and advances to customers | 25,417 | (94,518) | 91 | (1,260) | (70,270) | (451,939) | **(522,208)** |
| Impairment losses on other assets | - | - | - | (15,723) | (15,723) | (1,549) | **(17,272)** |
| Impairment on participations | - | - | - | 2 | 2 | (4) | **(2)** |
| Other impairment losses | - | - | - | (2,163) | (2,163) | (68,471) | **(70,634)** |
| Other provision releases/ (charges) | - | - | - | (6,806) | (6,806) | 142 | **(6,664)** |
| Share of profit/ (loss) of associates and joint ventures | - | - | - | (26,775) | (26,775) | 370 | **(26,405)** |
| **Profit/ (loss) before tax** | **138,071** | **139,184** | **155,869** | **(148,942)** | **284,182** | **(306,189)** | **(22,007)** |
| Income tax benefit/ (expense) | | | | | | | 23,477 |
| **Profit/ (loss) for the period from continuing operations** | | | | | | | **1,470** |
| Results after income tax from discontinued operations | - | - | - | - | - | (77,772) | (77,772) |
| **Profit/ (loss) for the period** | | | | | | | **(76,301)** |
| **As at 31 December 2017** | | | | | | | |
| Total assets from continuing operations (excluding assets held for sale) | 11,231,811 | 15,509,655 | 6,058,317 | 9,707,904 | 42,507,687 | 22,607,224 | **65,114,910** |
| Total assets from discontinued operations | - | - | - | - | - | 2,283,542 | **2,283,542** |
| Assets held for sale | - | - | - | - | - | 18,110 | **18,110** |
| Total liabilities | 31,158,023 | 7,834,488 | 13,079,427 | 3,343,241 | 55,415,178 | 2,457,187 | **57,872,365** |

Amounts in thousand euros (Unless otherwise stated)

In the tables above, interest income is analyzed into business segments net of interest expense, as Management relies primarily on net interest income to assess the performance of each segment.

The intercompany transactions among the business segments are realised at arms length.

## 7 Net interest income

| | Group | | Bank | |
|---|---|---|---|---|
| | 1/1-30/06/2018 | 1/1-30/06/2017 | 1/1-30/06/2018 | 1/1-30/06/2017 |
| **Total interest income from financial instruments that are not designated at FVTPL** | **910,651** | **1,087,187** | **901,999** | **1,080,357** |
| Interest income - Financial instruments that are measured at FVTPL | 5,614 | 1,954 | 5,595 | 1,954 |
| Interest income - Derivative financial instruments | 37,582 | 38,678 | 35,688 | 38,043 |
| **Total Interest income** | **953,848** | **1,127,819** | **943,282** | **1,120,354** |
| **Total Interest Expense** | **(254,370)** | **(295,399)** | **(256,830)** | **(303,963)** |
| **Net Interest Income** | **699,478** | **832,420** | **686,452** | **816,391** |

Net interest income for H1 2018 amounted to € 699.5 million for the Group and € 686.5 million for the Bank and is decreased in relation to the comparative H1 2017 (€ 832.4 million and € 816.4 million respectively), mainly as a result of the increase in loan loss allowances in Stage 3 (mainly in Q4 2017 and through IFRS 9 FTA as of 1/1/2018), deleveraging, loan yield reduction, and fixed income portfolio reduction, which was partially offset by the improvement of funding cost (primarily from ELA).

## 8 Staff costs

The increase of staff costs from € 264.4 million for the Group and € 246.7 million for the Bank in H1 2017 to € 384.4 million and € 363.1 million respectively in H1 2018 is mainly attributable to the launch of the Voluntary Exit Scheme (VES) by Management in February 2018. The VES offered incentives to the employees of the Bank and the Greek subsidiaries as part of Management's execution the "Agenda 2020" strategic plan through cost efficiency measures with a total cost of € 132.0 million for the Group and € 125.8 million for the Bank, respectively.

## 9 Assets from discontinued operations of the Group / Non-current assets Held for Sale

In Q2 2018 the Group's subsidiary Piraeus Bank Bulgaria A.D. was classified as discontinued operations. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration Group's impairment policy. The Bank charged an amount of € 35.5 million in impairment on participation and investment securities. The transaction is expected to be completed by 31 December 2018.

In Q2 2018 the Group's subsidiary Tirana Bank I.B.C. S.A. was classified as discontinued operations. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration Group's Impairment Policy. The Bank charged an amount of € 13.4 million in impairment on participation and investment securities. The transaction is expected to be completed by 31 December 2018.

On 3 April 2018 Piraeus Bank concluded the sale of its total participation in its 99.54% subsidiary company, Sentinel Advisors S.A. (former ATE Insurance Romania S.A.). The consideration for the transaction amounted to € 2.7 million.

On 21 November 2017, Piraeus Bank announced that it has entered into an agreement with J.C. Flowers & Co. for the disposal of its entire shareholding stake in its banking subsidiary in Romania, Piraeus Bank Romania S.A. ("PBR"). On 29 June 2018, the Bank concluded the sale of PBR to J.C. Flowers & Co, following the receipt of the necessary regulatory approvals by the HFSF, the National Bank of Romania and the Romania Competition Authority. The consideration for the transaction amounted to € 43.5 million.

On 21 November 2017, Piraeus Bank made an announcement, regarding the disposal of its subsidiary Olympic Commercial and Tourism Enterprises (Olympic) – which holds the Avis Rent a Car, Budget Rent a Car and Payless master franchises for Greece – that Avis Budget Group, through its subsidiary Zodiac Europe Limited, exercised its rights held under the terms of the franchise agreements for its brands. The consideration for the transaction amounted to € 80.6 million, implying an enterprise value (EV) for Olympic of € 318.1 million, and was paid fully in cash. The transaction was completed on 15 March 2018.

On 17 October 2017, Piraeus Bank announced that it has entered into an agreement to dispose of its Serbian banking and leasing operations to Direktna Banka A.D., a local Serbian banking group, for a total cash consideration of maximum € 61.0 million, through a combination of direct sale and simultaneous reduction of capital in Piraeus Bank Beograd AD. On 23 April 2018, the sale of Piraeus Bank Beograd A.D. to Direktna Bank A.D. was completed, following the receipt of the necessary regulatory approvals by the HFSF, the National Bank of Serbia and the Serbian Competition Authority.

In Q1 2017 the Group's subsidiary IMITHEA S.A. was classified as discontinued operations. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration Group's impairment policy. In early August 2018, Piraeus Bank has announced the completion of the first stage for the sale of its 100% subsidiary HMITHEA S.A., following the receipt of non-binding offers by investors. The Bank is assessing the non binding offers received in cooperation with its external advisor and will proceed to the second stage of the process. The transaction is expected to be completed by 31 December 2018.

**A) Profit/ (loss) after income tax from discontinued operations**

Profit/ (loss) after income tax from discontinued operations for the period 1/1 - 30/6/2018 includes the results of IMITHEA S.A., Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D. for the H1 2018, Piraeus Bank Romania S.A. until the day of its disposal on 29/6/2018, Piraeus Bank Beograd A.D. until the day of its disposal on 23/4/2018, Piraeus Leasing Doo Beograd and Sentinel Advisors S.A. (former ATE Insurance Romania S.A.) for the Q1 2018 and Olympic Commercial & Tourist Enterprises S.A, until 28/2/2018. It is noted that it was not possible to incorporate Olympic Commercial & Tourist Enterprises S.A. results for the period 1-15/3/2018 (until the day of its disposal on 15th March 2018), Piraeus Leasing Doo Beograd results for the period 1-23/4/2018 (until the day of its disposal on 23rd April 2018) and Sentinel Advisors S.A. (former ATE Insurance Romania S.A.) results for the period 1-3/4/2018 (until the day of its disposal on 3rd April 2018). However, this would have an immaterial effect on the Interim Income Statement, according to the Bank's estimates. Profit/ (loss) after income tax from discontinued operations for the period 1/1-30/6/2017 includes the results of IMITHEA S.A., Olympic Commercial & Tourist Enterprises S.A., Piraeus Bank Romania S.A., Tirana Bank I.B.C. S.A., Piraeus Bank Bulgaria A.D., Sentinel Advisors S.A. (former ATE Insurance Romania S.A.), Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd.

Amounts in thousand euros (Unless otherwise stated)

| | 1/1-30/6/2018 | 1/1-30/6/2017 |
|---|---|---|
| Net interest income | 46,987 | 48,717 |
| Net fee and commission income | 14,268 | 14,035 |
| Dividend income | 192 | 389 |
| Net income from financial instruments measured at fair value through profit or loss | (3,414) | 90 |
| Recycling of the accumulated reserve from financial assets at FVTOCI | 304 | - |
| Results from investment securities | - | 1,306 |
| Results from the disposal of participation of subsidiaries and associates | (155,103) | - |
| Other income/ (expenses) | 21,693 | 30,107 |
| **Total net income** | **(75,074)** | **94,644** |
| Staff costs | (41,488) | (45,610) |
| Administrative expenses | (36,544) | (41,924) |
| Depreciation and amortisation | (7,303) | (7,670) |
| Gains/ (losses) from sale of owned assets | 31 | 68 |
| **Total operating expenses before provisions** | **(85,304)** | **(95,136)** |
| Provisions and impairment losses | (157,176) | (75,409) |
| **Profit/ (loss) before income tax** | **(317,554)** | **(75,900)** |
| Income tax | 4,898 | (1,872) |
| **Profit/ (loss) after income tax from discontinued operations** | **(312,656)** | **(77,772)** |

The line “Results from the disposal of participation of subsidiaries and associate companies” includes the transfer of foreign exchange loss of € 139.1 million from Other Reserves and retained earnings (Note 22) to the Income statement, as a result of the disposal of Piraeus Bank Romania S.A and Piraeus Bank Beograd A.D.

In the consolidated statements, according to the requirements of IFRS 5 concerning the measurement of the value of the assets classified in discontinued operations at the lower of their carrying amount and fair value less cost to sell, the Group proceeded during the period 1/1 - 30/6/2018 with an impairment of the value of discontinued operations by € 152.1 million. The aforementioned amount is included in line “Provisions and impairment losses” in the above table.

**B) Assets and liabilities**

The following assets and liabilities as at 30/6/2018 relate to IMITHEA S.A, Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D. Respectively, the following assets and liabilities as at 31/12/2017 relate to the companies Sentinel Advisors S.A. (former ATE Insurance Romania S.A.), Olympic Commercial & Tourist Enterprises S.A., IMITHEA S.A., Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd.

Amounts in thousand euros (Unless otherwise stated)

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances with Central Banks | 378,365 | 284,113 |
| Loans and advances to credit institutions | 342,972 | 66,347 |
| Financial assets at fair value through profit or loss | - | 76,623 |
| Derivative financial instruments - assets | 15 | 688 |
| Reverse repos with customers | 1,593 | - |
| Loans and advances to customers at amortised cost | 957,734 | 1,078,720 |
| Financial assets at fair value through other comprehensive income | 180,850 | - |
| Available for sale securities | - | 252,888 |
| Assets held for sale | - | 2,002 |
| Investment property | 933 | 6,629 |
| Property and equipment | 83,195 | 391,335 |
| Intangible assets | 516 | 9,496 |
| Deferred tax assets | 5,610 | 3,528 |
| Other assets | 22,411 | 111,175 |
| **Total Assets** | **1,974,195** | **2,283,542** |

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| **LIABILITIES** | | |
| Due to credit institutions | 44,336 | 153,762 |
| Due to customers | 1,740,645 | 1,174,998 |
| Derivative financial instruments - liabilities | 3 | 499 |
| Deferred tax liabilities | - | 6,470 |
| Current income tax liabilities | - | 2,180 |
| Retirement benefit obligations | 6,281 | 6,306 |
| Other provisions | 26,106 | 213,805 |
| Other liabilities | 25,457 | 82,835 |
| **Total Liabilities** | **1,842,828** | **1,640,856** |

## 10 Income tax benefit/ (expense)

| | Group | | Bank | |
|---|---|---|---|---|
| | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/1-30/6/2018 | 1/1-30/6/2017 |
| Current tax | (7,328) | (5,804) | (16) | - |
| Deferred tax | 13,754 | 28,688 | 21,453 | 28,573 |
| Provisions for tax differences | - | 593 | - | - |
| **Total** | **6,425** | **23,477** | **21,436** | **28,573** |

Income tax benefit/ (expense) for the comparative period has been restated for the Group. Relative reference is provided in Note 26.

In accordance with the provisions of the enacted Greek Tax Law (Law 4172/2013), as amended by Greek Law 4334/2015 (Gazette A'80/16.7.2015) and being in effect today, the income tax rate for Greek legal entities is 29%. Subsequent to the enactment of Greek Law 4389/2016, the tax rate on dividend income, after 1/1/2017, is 15%.

From 1/1/2017 onwards, in case of distribution or capitalization of current year profits or distribution of profits of past fiscal years (reserves) for which no income tax has been paid to legal entities, the amount distributed or capitalized, is taxed separately (independently) subject to the provisions of paragraph 1 of article 47 of Law 4172/2013, as being applied after their amendment with paragraph 2 of article 99 of Law 4446/2016, as a profit from a business activity, regardless of the existence of tax losses.

The income tax benefit for H1 2018 amounting to € 6.4 million for the Group and € 21.4 million for the Bank, was affected positively, mainly as a result of the net effect of the deferred tax asset on the temporary differences between the accounting and the tax base on the impairment charges on loans and advances to customers.

For the subsidiaries operating abroad, the income tax has been calculated according to the respective nominal tax rates that were applicable for the years of 2018 and 2017 (Bulgaria: 10%, Romania: 16%, Egypt: 22.5%, Serbia: 15%, Ukraine: 18%, Cyprus: 12.5%, Albania: 15% and United Kingdom: 20% until 31/3/2017 and 19% from 1/4/2017).

Under the provisions of Greek Law 4172/2013, Article 27A, as amended by Greek Law 4465/2017 and being in effect today, deferred tax assets of Greek financial institutions, as well as deferred tax assets of leasing and factoring companies, that have been recognized due to losses from the Private Sector Involvement ('PSI') and accumulated provisions due to credit risk in relation to existing loans and advances to customers as of 30 June 2015, as well as the accounting write offs and final losses due to permanent write offs or restructuring of debts under certain conditions will be converted from 2017 onwards into directly enforceable claims (tax credit) against the Greek State, provided that the "profit for the period" from the fiscal year 2016 onwards according to IFRS, is a loss. This claim will be offset against the relevant amount of income tax of the legal person or companies of the same corporate group (associated companies) of the tax year, which the approved financial statements refer to. When the amount of income tax is insufficient to offset the above claim, any remaining claim will give rise to a direct refund right against the Greek State in favor of the above-mentioned companies.

In this case, a special reserve equal to 100% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares, while existing shareholders will have a call option right on them. The above-mentioned reserve will be capitalized and new ordinary shares will be issued in favor of the Greek State. Furthermore, a gradual amortisation over a 20-year period of the final tax losses arising from write-offs and disposals of loans is provided, maintaining the DTC status during all this period, while it disconnects the accounting write-offs from final debt write-offs.

The Extraordinary General Meeting of the Bank's Shareholders, on 19 December 2014, approved the Bank's opting into the special regime enacted by article 27A of the Greek 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 to proceed with all actions required for the implementation of the above mentioned provisions.

As at 30/6/2018, the deferred tax assets of the Group and the Bank meeting the provisions of the above mentioned Law, amount to € 3,985.4 million, of which € 1,298.1 million relates to the remaining unamortised amount of debit difference from the participation on the PSI and € 2,687.3 million relates to the differences on IFRS loans and advances to customers, including accumulated provisions for impairment, and tax base, respectively.

According to article 82 of Greek Law 4472/2017 credit institutions and other legal entities that fall under the provisions of article 27A of Greek Law 4172/2013 are required to pay an annual commission of 1.5% on the excess amount guaranteed by the Greek State of deferred tax assets arising from the difference between the tax rate applicable under Greek Law 4334/2015 (Gazette A' 80/16/7/2015) retrospectively from 1/1/2015 (29%), and the tax rate applicable on 30/6/2015 (26%). According to the above mentioned, the total commission as at 30 June 2018 amounts to € 3.4 million for the Group and the Bank respectively, and has been included in the Income Statement under the line "Other income/ (expenses)".

Additionally, article 14 of the aforementioned law provides a reduction in the tax rate, from 29% currently in force, to 26%, implied to profits from business activity acquired by legal entities keeping double-entry books for income earned in the tax year 2019 onwards. With explicit reference in the law, this reduction does not apply to credit institutions for which the tax rate remains at 29%.

Amounts in thousand euros (Unless otherwise stated)

## 11 Earnings/ (losses) per share

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

On 2/12/2015, the Board of Directors proceeded with the issue of a contingent convertible bond loan of a total amount € 2,040.0 million. This amount was exclusively covered by the HFSF with bonds issued by ESM.

| Group<br>Basic and diluted earnings/ (losses) per share from continuing operations | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/4-30/6/2018 | 1/4-30/6/2017 |
|---|---|---|---|---|
| Profit/ (loss) attributable to ordinary shareholders of the parent entity from continuing activities | (54,515) | 3,028 | 24,004 | 9,799 |
| Weighted average number of ordinary shares in issue | 436,467,125 | 436,460,508 | 436,532,792 | 436,434,770 |
| Basic and diluted earnings/ (losses) per share (in €) from continuing operations | (0.1249) | 0.0069 | 0.0550 | 0.0225 |

| Basic and diluted earnings/ (losses) per share from discontinued operations | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/4-30/6/2018 | 1/4-30/6/2017 |
|---|---|---|---|---|
| Profit/ (loss) attributable to ordinary shareholders of the parent entity from discontinued activities | (311,924) | (77,993) | (308,840) | (77,308) |
| Weighted average number of ordinary shares in issue | 436,467,125 | 436,460,508 | 436,532,792 | 436,434,770 |
| Basic and diluted earnings/ (losses) per share (in €) from discontinued operations | (0.7147) | (0.1787) | (0.7075) | (0.1771) |

"Earnings/ (losses) per share" for the comparative period have been restated. Relative reference is provided in Note 26.

## 12 Items that are or may be reclassified subsequently to profit or loss

### A. Continuing operations

| Group<br>1/1-30/6/2018 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | (30,032) | 3,807 | (26,224) |
| Change in currency translation reserve | 4,561 | - | 4,561 |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 5,841 | (1,694) | 4,147 |
| Change in reserve of defined benefit obligations | (120) | (90) | (210) |
| **Other comprehensive income from continuing operations** | **(19,750)** | **2,024** | **(17,726)** |

| Group<br>1/1-30/6/2017 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 60,349 | (17,418) | 42,930 |
| Change in currency translation reserve | (4,531) | - | (4,531) |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | (7) | - | (7) |
| **Other comprehensive income from continuing operations** | **55,810** | **(17,418)** | **38,392** |

Amounts in thousand euros (Unless otherwise stated)

| Bank<br>1/1-30/6/2018 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | (29,988) | 3,809 | (26,179) |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 5,841 | (1,694) | 4,147 |
| **Other comprehensive income** | **(24,147)** | **2,115** | **(22,032)** |

| Bank<br>1/1-30/6/2017 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 59,612 | (17,287) | 42,324 |
| **Other comprehensive income** | **59,612** | **(17,287)** | **42,324** |

**B. Discontinued operations**

| 1/1-30/6/2018 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 80 | - | 80 |
| Change in currency translation reserve | 144,792 | - | 144,792 |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 237 | - | 237 |
| Change in reserve of defined benefit obligations | (54) | - | (54) |
| **Other comprehensive income from discontinued operations** | **145,054** | **0** | **145,054** |

The line “Change in currency translation reserve” of the above table includes the transfer of loss of € 139.1 million to the profit and loss statement. Relevant information is provided in Note 9.

| 1/1-30/6/2017 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | (122) | 66 | (57) |
| Change in currency translation reserve | 3,910 | - | 3,910 |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income from discontinued operations** | **3,788** | **66** | **3,854** |

Amounts in thousand euros (Unless otherwise stated)

## 13 Loans and advances to customers

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Loans and advances to customers at amortised cost | 39,380,616 | 44,719,530 | 40,204,384 | 44,884,572 |
| Loans and advances to customers mandatorily at FVTPL | 98,084 | - | 98,033 | - |
| **Total loans and advances to customers** | **39,478,700** | **44,719,530** | **40,302,417** | **44,884,572** |

| | Group | | |
|---|---|---|---|
| | Loans and advances to customers - Gross | Allowance for impairment on loans and advances to customers | Loans and advances to customers |
| Closing balance 31/12/17 with IAS 39 | 54,438,500 | (9,718,970) | 44,719,530 |
| Transfer to Loans and advances to customers mandatorily at FVTPL (Note 3) | (280,022) | 162,148 | (117,874) |
| IFRS 9 FTA impact (Note 3) | - | (1,724,018) | (1,724,018) |
| **Opening balance 1/1/2018 with IFRS 9** | **54,158,478** | **(11,280,840)** | **42,877,638** |

| | Bank | | |
|---|---|---|---|
| | Loans and advances to customers - Gross | Allowance for impairment on loans and advances to customers | Loans and advances to customers |
| Closing balance 31/12/17 with IAS 39 | 54,030,919 | (9,146,346) | 44,884,572 |
| Transfer to Loans and advances to customers mandatorily at FVTPL (Note 3) | (279,859) | 162,048 | (117,811) |
| IFRS 9 FTA impact (Note 3) | - | (1,655,863) | (1,655,863) |
| **Opening balance 1/1/2018 with IFRS 9** | **53,751,060** | **(10,640,162)** | **43,110,898** |

### 13.1 Loans and advances to customers at amortised cost

| Group | 30/06/2018 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total |
| Mortgages | 6,107,442 | 2,408,488 | 3,158,034 | 2,187,999 | 13,861,964 |
| Consumer/ personal and other loans | 868,001 | 545,165 | 1,121,620 | 620,468 | 3,155,255 |
| Credit cards | 515,130 | 90,038 | 204,789 | 34,690 | 844,647 |
| **Total loans to individuals** | **7,490,573** | **3,043,691** | **4,484,444** | **2,843,157** | **17,861,866** |
| **Loans to corporate entities and Public sector** | 11,087,354 | 2,740,818 | 14,565,031 | 2,896,434 | 31,289,637 |
| **Total loans and advances to customers - gross** | **18,577,927** | **5,784,509** | **19,049,476** | **5,739,591** | **49,151,502** |
| Less: Allowance for impairment on loans and advances to customers | (119,951) | (421,222) | (8,246,202) | (983,511) | (9,770,886) |
| **Loans and advances to customers at amortised cost** | **18,457,976** | **5,363,287** | **10,803,274** | **4,756,080** | **39,380,617** |

Amounts in thousand euros (Unless otherwise stated)

| **Group** | **1/1/2018** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total** |
| Mortgages | 6,467,520 | 2,613,744 | 2,919,557 | 2,268,133 | 14,268,953 |
| Consumer/ personal and other loans | 929,269 | 731,899 | 1,012,613 | 675,373 | 3,349,154 |
| Credit cards | 474,412 | 97,869 | 240,609 | 50,381 | 863,271 |
| **Loans to individuals** | **7,871,202** | **3,443,511** | **4,172,779** | **2,993,886** | **18,481,378** |
| **Loans to corporate entities and Public sector** | 12,866,498 | 3,386,915 | 15,911,437 | 3,512,250 | 35,677,100 |
| **Total loans and advances to customers - gross** | **20,737,700** | **6,830,426** | **20,084,217** | **6,506,136** | **54,158,478** |
| Less: Allowance for impairment on loans and advances to customers | (115,478) | (720,341) | (9,353,823) | (1,091,198) | (11,280,839) |
| **Loans and advances to customers at amortised cost** | **20,622,222** | **6,110,085** | **10,730,394** | **5,414,938** | **42,877,639** |

| **Bank** | **30/06/2018** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total** |
| Mortgages | 6,107,104 | 2,407,497 | 3,154,536 | 2,212,087 | 13,881,224 |
| Consumer/ personal and other loans | 859,769 | 540,578 | 1,116,906 | 651,193 | 3,168,446 |
| Credit cards | 514,723 | 90,026 | 204,716 | 39,855 | 849,321 |
| **Total loans to individuals** | **7,481,596** | **3,038,102** | **4,476,158** | **2,903,135** | **17,898,991** |
| **Loans to corporate entities and Public sector** | 11,847,134 | 3,430,037 | 13,533,086 | 2,780,676 | 31,590,933 |
| **Total loans and advances to customers - gross** | **19,328,730** | **6,468,138** | **18,009,244** | **5,683,811** | **49,489,924** |
| Less: Allowance for impairment on loans and advances to customers | (177,818) | (391,978) | (7,728,328) | (987,415) | (9,285,539) |
| **Loans and advances to customers at amortised cost** | **19,150,912** | **6,076,161** | **10,280,916** | **4,696,396** | **40,204,385** |

| **Bank** | **1/1/2018** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | |
| | **12-month ECL** | **Lifetime ECL** | **Credit impaired Lifetime ECL** | **Credit impaired Lifetime ECL** | **Total** |
| Mortgages | 6,354,807 | 2,592,062 | 2,896,389 | 2,292,220 | 14,135,479 |
| Consumer/ personal and other loans | 866,130 | 727,520 | 1,004,969 | 706,097 | 3,304,716 |
| Credit cards | 466,426 | 97,690 | 239,947 | 55,546 | 859,609 |
| **Loans to individuals** | **7,687,363** | **3,417,273** | **4,141,305** | **3,053,864** | **18,299,805** |
| **Loans to corporate entities and Public sector** | 13,358,290 | 3,590,696 | 15,140,120 | 3,362,148 | 35,451,255 |
| **Total loans and advances to customers - gross** | **21,045,653** | **7,007,969** | **19,281,425** | **6,416,012** | **53,751,060** |
| Less: Allowance for impairment on loans and advances to customers | (106,083) | (690,487) | (8,765,398) | (1,078,193) | (10,640,161) |
| **Loans and advances to customers at amortised cost** | **20,939,571** | **6,317,482** | **10,516,027** | **5,337,819** | **43,110,898** |

The amounts of loans and advances to customers before allowances for impairment on loans and advances to customers at amortised cost have been reduced by the fair value adjustment, in the context of the purchase price allocation exercise of the operations acquired. Specifically, the remaining allowance for impairment on loans and advances to customers of of the Group and the Bank amounting to € 4.6 billion and € 4.5 billion respectively as at 30/6/2018 relating to 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., which at their acquisition date by the Group and Bank amounted to € 8.1 billion and € 7.9 billion respectively, has decreased the gross balance of loans and advances to customers and the allowance for impairment on loans and advances to customers respectively in the tables above, as under IFRS 3 it has been included in the adjustment of loans and advances to customers to their fair value during the cost allocation process. However, for purposes of credit risk monitoring in accordance with IFRS 7 in Note 5.2, the aforementioned adjustment is part of the allowance for impairment on loans and advances to customers.

Amounts in thousand euros (Unless otherwise stated)

| Group | Allowance for expected credit losses on loans and advances to customers | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total allowance |
| Balance at 1/1/2018 | 115,478 | 720,341 | 9,353,823 | 1,091,198 | 11,280,839 |
| Transfer to discontinued operations | (2,191) | (2,713) | (79,156) | - | (84,059) |
| Transfers between Stages (net) | 43,554 | (190,635) | 147,080 | - | 0 |
| Profit/ (loss) due to changes in credit risk | (32,283) | (111,827) | 491,032 | (101,648) | 245,275 |
| Write-offs | (113) | (1,257) | (873,475) | (13,790) | (888,635) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | (71) | (1,943) | (321,034) | (182,155) | (505,203) |
| Change in the present value of the impairment allowance | 7 | 1,587 | 235,655 | 159,062 | 396,311 |
| Transfer to held for sale portfolio | (0) | (2,696) | (774,454) | (89) | (777,239) |
| Foreign exchange differences and other movements | (4,431) | 10,365 | 66,730 | 30,933 | 103,597 |
| **Balance at 30/6/2018** | **119,951** | **421,222** | **8,246,202** | **983,511** | **9,770,886** |

| Bank | Allowance for expected credit losses on loans and advances to customers | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total allowance |
| Balance at 1/1/2018 | 106,083 | 690,487 | 8,765,398 | 1,078,193 | 10,640,161 |
| Transfers between Stages (net) | 49,558 | (191,231) | 141,673 | - | 0 |
| Profit/ (loss) due to changes in credit risk | (33,851) | (106,272) | 496,095 | (85,994) | 269,978 |
| Write-offs | (113) | (1,257) | (858,250) | (13,790) | (873,410) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | (7) | (1,940) | (306,736) | (177,295) | (485,978) |
| Change in the present value of the impairment allowance | 7 | 1,587 | 227,165 | 155,456 | 384,216 |
| Transfer to held for sale portfolio | (0) | (2,696) | (774,454) | (89) | (777,239) |
| Foreign exchange differences and other movements | 56,142 | 3,301 | 37,437 | 30,933 | 127,813 |
| **Balance at 30/6/2018** | **177,818** | **391,978** | **7,728,328** | **987,415** | **9,285,539** |

Further information regarding the line “Write-off of accrued interest relating to the grossing up approach for Stage 3 loans” included in the above table is presented in Note 5.2.

**13.2 Loans and advances to customers mandatorily at fair value through profit or loss**

The line “Loans and advances to customers mandatorily at FVTPL of the Interim Statement of Financial Position (30/6/2018: € 98.1 million and € 98.0 million for the Group and Bank respectively) includes loans and advances to customers of the Group and Bank that do not meet the criteria for classification at either amortised cost or FVTOCI. The respective amount as at the transition to IFRS 9 as of 1/1/2018 was € 107.0 million and € 106.9 million for the Group and the Bank respectively (Note 3).

**13.3 Loans and advances to customers held for sale**

During H1 2018, the Bank entered into an agreement in relation to the sale of non-performing and denounced corporate credit exposures, secured with real estate collateral, equivalent to approximately € 1,950.3 million total legal claims. The operating segment in which the relevant portfolio is presented as at 30/6/2018 is mainly PLU.

Additionally, the Bank entered into a binding agreement for the sale and transfer of non-performing, denounced unsecured retail consumer and credit cards exposures equivalent to approximately € 2,238.0 million total legal claims. The operating segment in which the relevant portfolio is presented as at 30/6/2018 is mainly PLU.

The above mentioned sale transactions are subject to customary conditions, regulatory and other approvals by the respective authorities in Greece, including the consent of the HFSF.

The Bank as at 30/6/2018 has transferred the above loan perimeters to the Held for sale (HFS) portfolio given that all necessary conditions are met. The net book value of the loans transferred at the HFS portfolio as at 30/6/2018, that are measured at amortised cost, is € 476.3 million. Also, the fair value of the loans transferred at the HFS portfolio as at 30/6/2018, that are mandatorily measured at FVTPL, is € 7.7 million.

Amounts in thousand euros (Unless otherwise stated)

## 14 Investments in consolidated companies

The investments of the Group and the Bank in consolidated companies from continuing and discontinued operations are analysed below:

### 14.1 Subsidiary companies (full consolidation method) from continuing operations

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years (1) | % Holding | % Holding |
| 1. | Piraeus Leasing S.A. | Finance leases | Greece | 2013-2017 | 100.00% | 100.00% |
| 2. | Piraeus Financial Leases S.A. | Finance leases | Greece | 2013-2017 | 100.00% | 100.00% |
| 3. | Geniki Financial & Consulting Services S.A. | Financial & consulting services | Greece | 2012-2017 | 100.00% | 100.00% |
| 4. | Piraeus Securities S.A. | Stock exchange operations | Greece | 2013-2017 | 100.00% | 100.00% |
| 5. | Piraeus Factoring S.A. | Corporate factoring | Greece | 2013-2017 | 100.00% | 100.00% |
| 6. | Piraeus Capital Management S.A. | Venture capital fund | Greece | 2013-2017 | 100.00% | 100.00% |
| 7. | Piraeus Jeremie Technology Catalyst Management S.A. | Management of venture capital fund | Greece | 2013-2017 | 100.00% | - |
| 8. | Hellenic Fund for Sustainable Development | Close End Venture Capital Fund | Greece | - | 65.00% | - |
| 9. | ETVA Fund Management S.A. | Management of venture capital mutual funds | Greece | 2014-2017 | 65.00% | - |
| 10. | Piraeus Asset Management S.A. | Mutual funds management | Greece | 2013-2017 | 100.00% | 100.00% |
| 11. | Piraeus Insurance and Reinsurance Brokerage S.A. | Insurance and reinsurance brokerage | Greece | 2013-2017 | 100.00% | 100.00% |
| 12. | Piraeus Insurance Agency S.A. | Insurance agency | Greece | 2013-2017 | 100.00% | 95.00% |
| 13. | Geniki Information S.A. | Assessment and collection of commercial debts | Greece | 2013-2017 | 100.00% | 100.00% |
| 14. | DI.VI.PA.KA S.A. | Administrative and managerial body of the Kastoria industrial park | Greece | 2013-2017 | 57.53% | - |
| 15. | ETVA Development S.A. | Investment and development activities, in accordance with the principles of sustainable development | Greece | 2014-2017 | 65.00% | - |
| 16. | ETVA Industrial Parks S.A. | Development/ management of industrial areas | Greece | 2013-2017 | 65.00% | 65.00% |
| 17. | Piraeus Green Investments S.A. | Holding company | Greece | 2013-2017 | 100.00% | 100.00% |
| 18. | Abies S.A. | Property management | Greece | 2010-2017 | 61.65% | 40.14% |
| 19. | Achaia Clauss Estate S.A. | Property management | Greece | 2013-2017 | 75.37% | 75.37% |
| 20. | Euroterra S.A. | Property management | Greece | 2010-2017 | 62.90% | 42.51% |
| 21. | Kosmopolis A' Shopping Centers S.A. | Shopping center's management | Greece | 2013-2017 | 100.00% | 100.00% |
| 22. | Linklife Food & Entertainment Hall S.A. | Operation of food and entertainment Halls | Greece | 2014-2017 | 100.00% | - |
| 23. | ND Development S.A. | Property management | Greece | 2013-2017 | 100.00% | 100.00% |
| 24. | New Up Dating Development Real Estate and Tourism S.A. | Property, tourism & development company | Greece | 2013-2017 | 100.00% | 100.00% |
| 25. | Picar S.A. | City Link areas management | Greece | 2013-2017 | 100.00% | 100.00% |
| 26. | Property Horizon S.A. | Property management | Greece | 2013-2017 | 100.00% | 100.00% |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years (1) | % Holding | % Holding |
| 27. | Rebikat S.A. | Property management | Greece | 2010-2017 | 61.92% | 40.31% |
| 28. | General Construction and Development Co. S.A. | Property development/ holding company | Greece | 2013-2017 | 66.66% | 66.66% |
| 29. | Entropia Ktimatiki S.A. | Property management | Greece | 2013-2017 | 66.70% | - |
| 30. | Euroak S.A. Real Estate | Real estate investment | Greece | 2010-2017 | 53.60% | 53.60% |
| 31. | Komotini Real Estate Development S.A. | Property management | Greece | 2013-2017 | 100.00% | 100.00% |
| 32. | Piraeus Buildings S.A. | Property development | Greece | 2010-2017 | 100.00% | - |
| 33. | Piraeus Development S.A. | Property management | Greece | 2013-2017 | 100.00% | 100.00% |
| 34. | Piraeus Real Estate S.A. | Construction company | Greece | 2013-2017 | 100.00% | 100.00% |
| 35. | Pleiades Estate S.A. | Property management | Greece | 2013-2017 | 100.00% | 100.00% |
| 36. | A.C.T. B.A.S. S.A. | Counseling services for payroll and labour affairs | Greece | 2011-2017 | 100.00% | 100.00% |
| 37. | KPM Energy S.A. | Energy generation and exploitation through renewable energy resources | Greece | 2013-2017 | 80.00% | - |
| 38. | Mille Fin S.A. | Vehicle Trading | Greece | 2013-2017 | 100.00% | 100.00% |
| 39. | Multicollection S.A. | Assessment and collection of commercial debts | Greece | 2009-2017 | 51.00% | 51.00% |
| 40. | Piraeus Direct Solutions S.A. | Financial - telecommunication & IT services | Greece | 2013-2017 | 100.00% | 100.00% |
| 41. | Special Financial Solutions S.A. | Advising, consultancy, organizational and training services | Greece | 2013-2017 | 100.00% | 100.00% |
| 42. | Zibeno I Energy S.A. | Energy generation through renewable energy resources | Greece | 2015-2017 | 83.00% | - |
| 43. | Centre of Sustainable Entrepreneurship Excelixi S.A. | Consulting Services - Hotel - Training & Seminars | Greece | 2013-2017 | 100.00% | 100.00% |
| 44. | PROSPECT N.E.P.A. | Yachting management | Greece | - | 100.00% | - |
| 45. | Anemos Ipirou Anonymi Energeiaki Etaireia | The exploitation of wind energy park in Greece. | Greece | 2011-2017 | 100.00% | - |
| 46. | Aioliki Mbeleheri S.A. | The exploitation of wind energy park in Greece and the holding of investments with similar activities. | Greece | 2011-2017 | 100.00% | - |
| 47. | Aiolikon Parko Artas E.E. | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 48. | Aiolikon Parko Evritanias Morforahi E.E. | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 49. | Aiolikon Parko Evritanias Ouranos E.E. | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 50. | DMX Aioliki Marmariou - Agathi LLP | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 51. | DMX Aioliki Marmariou - Rigani LLP | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 52. | DMX Aioliko Parko Rodopi 2 E.E. | The exploitation of wind energy park in Greece | Greece | 2011-2017 | 100.00% | - |
| 53. | Tirana Leasing Sh.A. | Finance leases | Albania | 2016-2017 | 100.00% | 100.00% |
| 54. | Cielo Concultancy Sh.P.K. | Holding and investment company | Albania | 2014-2017 | 99.09% | - |
| 55. | Edificio Enterprise Sh.P.K. | Holding and investment company | Albania | 2014-2017 | 99.09% | - |
| 56. | Tierra Projects Sh.P.K. | Holding and investment company | Albania | 2014-2017 | 99.09% | - |
| 57. | Piraeus Real Estate Tirana Sh.P.K. | Real estate development | Albania | 2014-2017 | 100.00% | - |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years [(1)] | % Holding | % Holding |
| 58. | Piraeus Insurance Brokerage EOOD | Insurance brokerage | Bulgaria | 2007-2017 | 99.98% | - |
| 59. | Beta Asset Management EOOD | Rent and management of real estate | Bulgaria | 2013-2017 | 99.98% | - |
| 60. | Bulfina E.A.D. | Property management | Bulgaria | 2008-2017 | 100.00% | 100.00% |
| 61. | Bulfinace E.A.D. | Property Management | Bulgaria | 2008-2017 | 100.00% | - |
| 62. | Delta Asset Management EOOD | Real Estate Development | Bulgaria | 2015-2017 | 99.98% | - |
| 63. | Gama Asset Management EOOD | Real Estate Development | Bulgaria | 2015-2017 | 99.98% | - |
| 64. | Piraeus Real Estate Bulgaria EOOD | Construction company | Bulgaria | 2007-2017 | 100.00% | - |
| 65. | Varna Asset Management EOOD | Real estate development | Bulgaria | 2014-2017 | 99.98% | - |
| 66. | Asset Management Bulgaria EOOD | Travel - rental services and property management | Bulgaria | 2012-2017 | 99.98% | - |
| 67. | Besticar Bulgaria EOOD | Collects receivables | Bulgaria | 2012-2017 | 99.98% | - |
| 68. | Besticar EOOD | Collects receivables from problematic clients | Bulgaria | 2012-2017 | 99.98% | - |
| 69. | Emerald Investments EOOD | Property management | Bulgaria | 2012-2017 | 99.98% | - |
| 70. | Piraeus Equity Investment Management Ltd | Investment management | Cyprus | 2012-2017 | 100.00% | - |
| 71. | Arigeo Energy Holdings Ltd | Holding company in renewable energy | Cyprus | 2012-2017 | 100.00% | - |
| 72. | Besticar Limited | Holding Company | Cyprus | - | 99.98% | - |
| 73. | Euroinvestment & Finance Public Ltd | Asset management, real estate operations | Cyprus | 2008-2017 | 90.85% | 90.85% |
| 74. | Piraeus Clean Energy Holdings Ltd | Holding Company | Cyprus | 2012-2017 | 100.00% | - |
| 75. | Piraeus Equity Partners Ltd | Holding company | Cyprus | 2012-2017 | 100.00% | 100.00% |
| 76. | Piraeus Renewable Investments Limited | Holding company | Cyprus | 2016-2017 | 100.00% | - |
| 77. | PRI WIND I Limited | Holding company | Cyprus | 2016-2017 | 100.00% | - |
| 78. | PRI WIND II Limited | Holding company | Cyprus | 2016-2017 | 100.00% | - |
| 79. | PRI WIND III Limited | Holding company | Cyprus | 2016-2017 | 100.00% | - |
| 80. | R.E. Anodus Two Ltd | Holding and investment company | Cyprus | 2013-2017 | 99.09% | 99.09% |
| 81. | Tellurion Ltd | Holding company | Cyprus | 2013-2017 | 100.00% | 100.00% |
| 82. | Tellurion Two Ltd | Holding company | Cyprus | 2013-2017 | 99.09% | - |
| 83. | Trieris Two Real Estate Ltd | Holding, Investment and Real Estate Portfolio Management | Cyprus | 2010-2017 | 100.00% | 100.00% |
| 84. | Zibeno Investments Ltd | Holding Company | Cyprus | 2012-2017 | 83.00% | - |
| 85. | O.F. Investments Ltd | Investment company | Cyprus | 2012-2017 | 100.00% | - |
| 86. | R.E. Anodus Ltd | Consultancy services for real estate development and investments | Cyprus | 2009-2017 | 100.00% | 100.00% |
| 87. | Lakkos Mikelli Real Estate Ltd | Property management | Cyprus | 2009-2017 | 50.66% | 40.00% |
| 88. | Philoktimatiki Public Ltd | Land and property development | Cyprus | 2015-2017 | 53.29% | 6.39% |
| 89. | Piraeus Clean Energy GP Ltd | General partner of Piraeus Clean Energy LP | Cyprus | 2012-2017 | 100.00% | - |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years [1] | % Holding | % Holding |
| 90. | Piraeus Equity Advisors Ltd | Investment advice | Cyprus | 2012-2017 | 100.00% | - |
| 91. | Sunholdings Properties Company Ltd | Land and property development | Cyprus | 2008-2017 | 26.65% | - |
| 92. | Philoktimatiki Ergoliptiki Ltd | Construction company | Cyprus | 2015-2017 | 53.29% | - |
| 93. | WH South Wind Hellas Ltd | The holding of investments in Renewable Energy Sector in Greece | Cyprus | 2016-2017 | 100.00% | - |
| 94. | Emadierio Solar Energy & Investments Ltd | The exploitation of wind energy park in Greece | Cyprus | 2016-2017 | 100.00% | - |
| 95. | Josharton Ltd | Holding of investments | Cyprus | 2016-2017 | 100.00% | - |
| 96. | JSC Piraeus Bank ICB | Banking activities | Ukraine | 2015-2017 | 99.99% | 99.99% |
| 97. | Akinita Ukraine LLC | Real estate development | Ukraine | 2014-2017 | 100.00% | - |
| 98. | Sinitem LLC | Sale and purchase of real estate | Ukraine | 2013-2017 | 99.94% | - |
| 99. | Solum Enterprise LLC | Property management | Ukraine | 2012-2017 | 99.94% | - |
| 100. | Solum Limited Liability Company | Property management | Ukraine | 2017 | 99.94% | - |
| 101. | Piraeus Leasing Romania S.A. | Monitoring and collection services for loans disbursed by the company | Romania | 2003-2017 | 100.00% | 100.00% |
| 102. | Alecsandri Estates SRL | Real Estate Development | Romania | 2009-2017 | 74.32% | - |
| 103. | Daphne Real Estate Consultancy SRL | Real estate development | Romania | 2014-2017 | 99.09% | - |
| 104. | Priam Business Consultancy SRL | Real estate development | Romania | 2014-2017 | 99.18% | - |
| 105. | Proiect Season Residence SRL | Real estate development | Romania | 2012-2017 | 100.00% | - |
| 106. | R.E. Anodus SRL | Real Estate development | Romania | 2013-2017 | 99.09% | - |
| 107. | Rhesus Development Projects SRL | Real estate development | Romania | 2014-2017 | 99.09% | - |
| 108. | General Business Management Investitii SRL | Development of building projects | Romania | 2013-2017 | 100.00% | - |
| 109. | Piraeus Real Estate Consultants SRL | Construction company | Romania | 2015-2017 | 100.00% | - |
| 110. | Piraeus Rent Doo Beograd | Operating Leases | Serbia | 2007-2017 | 100.00% | 100.00% |
| 111. | Piraeus Real Estate Egypt LLC | Property management | Egypt | 2011-2017 | 100.00% | 99.90% |
| 112. | Piraeus FI Holding Ltd | Holding company | British Virgin Islands | - | 100.00% | - |
| 113. | Trieris Real Estate Management Ltd | Management of Trieris Real Estate Ltd | British Virgin Islands | - | 100.00% | 100.00% |
| 114. | Piraeus Master GP Holding Ltd | Investment advice | British Virgin Islands | - | 100.00% | - |
| 115. | Marathon 1 Greenvale Rd LLC | Real estate development | U.S.A. | 2012-2017 | 99.95% | 99.95% |
| 116. | Piraeus Group Capital Ltd | Debt securities issue | United Kingdom | - | 100.00% | 100.00% |
| 117. | Piraeus Group Finance PLC | Debt securities issue | United Kingdom | - | 100.00% | 100.00% |
| 118. | Axia Finance III PLC | SPE for securitization of corporate loans | United Kingdom | - | - | - |
| 119. | Axia Finance PLC | SPE for securitization of corporate loans | United Kingdom | - | - | - |
| 120. | Axia III APC LIMITED | SPE for securitization of corporate loans | United Kingdom | - | - | - |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years (1) | % Holding | % Holding |
| 121. | Estia Mortgage Finance PLC | SPE for securitization of mortgage loans | United Kingdom | - | - | - |
| 122. | Estia Mortgage Finance II PLC | SPE for securitization of mortgage loans | United Kingdom | - | - | - |
| 123. | Kion Mortgage Finance PLC | SPE for securitization of mortgage loans | United Kingdom | - | - | - |
| 124. | Praxis I Finance PLC | SPE for securitization of consumer loans | United Kingdom | - | - | - |
| 125. | Praxis II APC LIMITED | SPE for securitization of consumer loans | United Kingdom | - | - | - |
| 126. | Praxis II Finance PLC | SPE for securitization of consumer loans | United Kingdom | - | - | - |
| 127. | Capital Investments & Finance S.A. | Investment company | Liberia | - | 100.00% | 100.00% |
| 128. | Piraeus Asset Management Europe S.A. | Mutual funds management | Luxemburg | - | 100.00% | 99.94% |
| 129. | Vitria Investments S.A. | Investment company | Panama | - | 100.00% | 100.00% |

Note (1): In accordance with Circular 1034/2016 and the cancelation of the 18 months date, in order to define the fiscal years 2011, 2012 & 2013 as tax audited, a tax audit may occur in some of the companies mentioned above, if they meet the selective audit criteria that the Ministry of Finance sets, under the provision of Law 3842/2010, Article 80.

The subsidiaries duly numbered 118 - 126 are special purpose vehicles for securitization of loans and advances to customers and issuance of debt securities. The subsidiary duly numbered 91 although presenting less than 50.00% holding percentage, is included in the Group's subsidiaries' portfolio due to majority presence in the Board of Directors of the company.

Furthermore, as at 30/6/2018 the subsidiaries duly numbered 17, 32, 38-39, 53, 55-56, 70, 72, 112, 114, 127 and 129 were under liquidation.

The subsidiaries that are excluded from the consolidation are as follows: a) “Hellenic Information Systems HIS S.A.”, b) "The Museum Ltd", c) “Piraeus Bank Group Cultural Foundation”, d) “Procas Holding Ltd”, e) “Phoebe Investments SRL”, f) “Torborg Maritime Inc.”, g) “Isham Marine Corp.”, h) “Axia III Holdings Ltd”, i) “Praxis II Holdings Ltd” and j) “Kion Holdings Ltd”. The consolidation of the above mentioned companies would not have a significant effect on the Statement of Financial Position and Income Statement of the Group, based on its latest available financial information.

**Annual Financial Statements of Subsidiaries**

The Annual Financial Reports of the subsidiaries of the Piraeus Bank Group for the year ended 31 December 2017 which were finalized prior to the date of the issuance of this Interim Financial Report, are available on the web site of Piraeus Bank at www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Financial Statements - Consolidated Companies. The Annual Financial Reports of the remaining subsidiaries of the Piraeus Bank Group will be available on the web site of Piraeus Bank when these will be finalized.

Amounts in thousand euros (Unless otherwise stated)

### 14.2 Subsidiaries classified as discontinued operations/ held for sale

Piraeus Bank Group subsidiary companies IMITHEA S.A.,Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D. that are included in discontinued operations, are analysed below. Relevant reference for the disposal procedures, that is under process, for the above companies is provided in Note 9.

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years (1) | % Holding | % Holding |
| 1. | IMITHEA S.A. | Organization, operation and management of hospital units | Greece | 2013-2017 | 100.00% | 100.00% |
| 2. | Tirana Bank I.B.C. S.A. | Banking activities | Albania | 2014-2017 | 98.83% | 98.83% |
| 3. | Piraeus Bank Bulgaria A.D. | Banking activities | Bulgaria | 2010-2017 | 99.98% | 99.98% |

Note (1): In accordance with Circular 1034/2016 and the cancelation of the 18 months date, in order to define the fiscal years 2011, 2012 & 2013 as tax audited, a tax audit may occur in some of the companies mentioned above, if they meet the selective audit criteria that the Ministry of Finance sets, under the provision of Greek Law 3842/2010, Article 80.

During H1 2018, the Bank recorded a loss of € 48.9 million in the line "Impairment on participations" of the Interim Income Statement, as a result of the impairment of subsidiaries which are included in its held for sale portfolio. Relevant information, concerning the impairment recorded by the Group, is provided in Note 9.

There are no other subsidiaries, apart from the list of subsidiaries presented in the above table, that meet the classification requirements as discontinued operations in accordance with the relevant provisions of IFRS 5.

### 14.3 Associate companies and joint ventures (equity accounting method) from continuing operations

#### 14.3.1 Associate companies

With reference to the line "Investments in associated undertakings and joint ventures" of the Interim Statement of Financial Position the associate companies that the Group consolidates through the equity accounting method are as follows:

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years (1) | % Holding | % Holding |
| 1. | Piraeus - TANEO Capital Fund | Close end Venture capital fund | Greece | - | 50.01% | 50.01% |
| 2. | PJ Tech Catalyst Fund | Close end Venture capital fund | Greece | - | 30.00% | - |
| 3. | APE Commercial Property Real Estate Tourist and Development S.A. | Holding company | Greece | 2010,2013-2017 | 27.80% | 27.80% |
| 4. | Marfin Investment Group Holdings S.A. | Holding company | Greece | 2013-2017 | 31.64% | 31.19% |
| 5. | Sciens International Investments & Holding S.A. | Holding company | Greece | 2013-2017 | 28.10% | 28.10% |
| 6. | APE Fixed Assets Real Estate Tourist & Development S.A. | Real estate, development/ tourist services | Greece | 2013-2017 | 27.80% | 27.80% |
| 7. | APE Investment Property S.A. | Real estate, development/ tourist services | Greece | 2013-2017 | 28.92% | 28.92% |
| 8. | Olganos Real Estate S.A. | Property management/electricity production from hydropower stations | Greece | 2014-2017 | 32.27% | 32.27% |
| 9. | Pyrrichos S.A. | Property management | Greece | 2012-2017 | 50.77% | 50.77% |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years [1] | % Holding | % Holding |
| 10. | Exodus S.A. | Information technology & software | Greece | 2013-2017 | 49.90% | 49.90% |
| 11. | Evros' Development Company S.A. | European community programs management | Greece | 2010-2017 | 30.00% | 30.00% |
| 12. | Gaia S.A. | Software services | Greece | 2015-2017 | 26.00% | - |
| 13. | Crete Scient. & Tech. Park Manag. & Dev. Co. S.A. | Scientific and technology park management | Greece | 2013-2017 | 30.45% | 30.45% |
| 14. | Selonda Aquaculture S.A. | Fish farming | Greece | 2012-2017 | 32.92% | 32.92% |
| 15. | Nireus Aquaculture S.A. | Fish farming | Greece | 2013-2017 | 32.23% | 24.55% |
| 16. | Teiresias S.A. | Interbanking company of development, operation and management of information systems | Greece | 2010,2013-2017 | 23.53% | 23.53% |
| 17. | Trastor Real Estate Investment Company | Real estate investment property | Greece | 2013-2017 | 39.39% | 39.39% |
| 18. | Unisoft S.A. | Software manufacturer | Greece | 2013-2017 | 23.07% | 23.07% |
| 19. | Pireaus Direct Services S.A. | Support and e-commerce services, trade of time renewal cards | Greece | 2013-2017 | 49.90% | 49.90% |
| 20. | Trieris Real Estate Ltd | Property management | British Virgin Islands | - | 32.37% | 32.37% |
| 21. | Exus Software Ltd | IT products retailer | United Kingdom | 2017 | 49.90% | 49.90% |

Note [1]: In accordance with Circular 1034/2016 and the cancelation of the 18 months date, in order to define the fiscal years 2011, 2012 & 2013 as tax audited, a tax audit may occur in some of the companies mentioned above, if they meet the selective audit criteria that the Ministry of Finance sets, under the provision of Law 3842/2010, Article 80.

The aforementioned companies were assessed in the context of IFRS 10 by Management. Based on the relevant assessment, Piraeus Bank Group does not control these companies and as a result they are not considered subsidiaries of the Piraeus Bank Group. According to the provisions of IAS 28, the criteria for classifying these companies as associates are met.

In accordance with the provisions of IFRS 12, concerning the companies in which the Group's voting rights exceed 50% but are not controlled by the Group, the following shall be noted:

- The company duly numbered 1 is included in the associate companies portfolio, due to the fact that Piraeus Bank Group exercises significant influence on the investment committee of the fund, which takes the investment decisions.

- The company duly numbered 9 is included in the associate companies portfolio as Piraeus Bank Group exercises significant influence and not control.

The associate company "Evrytania S.A. Agricultural Development Company" has been excluded from the consolidation under the equity method of accounting, since it is dormant. The consolidation of this company would not have a significant effect on the Statement of Financial Position and Income Statement, based on its latest available financial information. Furthermore, the financial data of the associate company NGP Plastic S.A. is not available due to the aforementioned company's inability to produce such financial data.

The changes in the portfolio of consolidated companies are presented in Note 24.

Amounts in thousand euros (Unless otherwise stated)

During H1 2018, the Group recorded a loss of € 49.8 million due to the impairment of its associates. The respective amount recorded by the Bank for H1 2018 regarding its associates amounts to € 27.3 million. The above mentioned impairment is included in line “Impairment on participations” of the Interim Income Statement.

### 14.3.2 Joint ventures

With reference to the line “Investments in associated undertakings and joint ventures” of the Interim Statement of Financial Position the joint ventures that the Group consolidates are as follows:

| s/n | Name of Company | Activity | Country | Group | | Bank |
|---|---|---|---|---|---|---|
| | | | | Unaudited tax years [1] | % Holding | % Holding |
| 1 | AEP ELAIONA S.A. | Property management | Greece | 2012-2017 | 50.00% | - |

Note [1]: In accordance with Circular 1034/2016 and the cancelation of the 18 months date, in order to define the fiscal years 2011, 2012 & 2013 as tax audited, a tax audit may occur, if they meet the selective audit criteria that the Ministry of Finance sets, under the provision of Law 3842/2010, Article 80.

Amounts in thousand euros (Unless otherwise stated)

## 15 Due to credit institutions

Due to credit institutions as at 30/6/2018, include refinancing operations from the eurosystem through repo transactions amounting to € 1,820.0 million for the Group and the Bank (31/12/2017: € 9,730.8 million for the Group and the Bank, respectively). The decrease in the refinancing raised from the eurosystem is mainly due to: a) the reduction in targeted longer-term refinancing operations (TLTRO), b) the reduction in emergemcy liquidity assets programm (ELA), c) the increase in deposits and d) the further deleveraging of the loan portfolio.

## 16 Due to customers

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| **Corporate** | | | | |
| Current and sight deposits | 7,183,780 | 8,043,856 | 7,295,905 | 7,845,119 |
| Term deposits | 3,200,433 | 2,065,033 | 3,304,958 | 2,065,998 |
| Blocked deposits, guarantee deposits and other accounts | 251,137 | 269,969 | 251,528 | 241,643 |
| **Total (A)** | **10,635,349** | **10,378,859** | **10,852,390** | **10,152,760** |
| **Retail** | | | | |
| Current and sight deposits | 3,282,323 | 3,220,867 | 3,266,380 | 3,071,351 |
| Savings account | 14,430,143 | 15,134,031 | 14,426,511 | 14,837,854 |
| Term deposits | 13,620,954 | 13,834,560 | 13,609,813 | 13,108,402 |
| Blocked deposits, guarantee deposits and other accounts | 30,856 | 43,501 | 30,856 | 27,706 |
| **Total (B)** | **31,364,277** | **32,232,959** | **31,333,560** | **31,045,313** |
| **Cheques payable and remittances (C)** | **102,857** | **103,435** | **102,857** | **102,733** |
| **Total Due to Customers (A)+(B)+(C)** | **42,102,483** | **42,715,252** | **42,288,806** | **41,300,806** |

## 17 Liabilities at fair value through profit or loss

Liabilities at fair value through profit or loss include positions from short term purchases / sales of securities within the frame of the Bank's activity as a Primary Dealer of Greek Government Bonds. In total, the positions of the Bank by securities and issuer are positive. The aforementioned positions are expected to decrease in the near future.

## 18 Debt securities in issue

### 18.1 Securitisation of mortgage loans

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Issuance € 750 million floating rate notes due 2040 | 10,568 | 11,317 | 10,568 | 11,317 |
| Issuance € 1,250 million floating rate notes due 2054 | 34,816 | 37,069 | 34,816 | 37,069 |
| Issuance € 600 million floating rate notes due 2051 | 14,355 | 16,103 | 14,355 | 16,103 |
| **Total debt securities in issue** | **59,739** | **64,489** | **59,739** | **64,489** |

From the above mentioned securitisations of mortgage loans issues, both the Group and the Bank possess as at 30/6/2018 bonds of nominal value amounting to € 86.1 million (31/12/2017: € 91.7 million) from the issuance of € 750.0 million, € 549.1 million (31/12/2017: € 568.4 million) from the issuance of € 1,250.0 million and € 27.6 million (31/12/2017: € 29.0 million) from the issuance of € 600.0 million.

Amounts in thousand euros (Unless otherwise stated)

Both the Group and the Bank, during the period 1/1/2018 - 30/6/2018, proceeded with the buy back of bonds of securitised loans of total amount after amortisation of € 2.7 million.

### 18.2 Covered bonds

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Issuance € 500 million floating rate notes due 2022 | 471,040 | 370,788 | 471,040 | 370,788 |
| **Total covered bonds** | **471,040** | **370,788** | **471,040** | **370,788** |

From the above mentioned Covered Bond Series of € 500.0 million, due October 2022, issued in October 2017 and privately placed with international investors, both the Group and the Bank possess as at 30/6/2018 bonds of nominal value amounting to € 30.0 million (31/12/2017: € 130.0 million).

### 18.3 Debt securities' issuances retained by Piraeus Bank

Apart from the debt securities in the table above, as of 30/6/2018 liabilities arising from securitisations of loans are retained by the Group and the Bank. These issues are the first and third securitisation of corporate loans in the amount of € 1,750.0 million and € 2,352.2 million respectively, as well as the first and second consumer loan backed securitisation of € 725.0 million and € 558.0 million respectively.

On 20/7/2017, the Group and the Bank proceeded with the partial cancellation of the first securitisation of corporate loans, reducing its outstanding balance from € 1,750.0 million to € 250.0 million, and on 27/11/2017 proceeded with the partial cancellation of the third securitisation of corporate loans, reducing its outstanding balance from € 2,352.2 million to € 235.2 million.

As at 30/6/2018, a total amount of € 4,030.0 million for both the Group and the Bank (31/12/2017: € 2,130.0 million) of covered bonds issued by Piraeus Bank, are retained by Piraeus Bank. These issues are the covered bond Series 3, with an original amount of € 1,000.0 million, due November 2019 (original maturity February 2018), the covered bond Series 5, with an original amount of € 1,000.0 million, due May 2019, the covered bond Series 6, with an original amount of € 1,000.0 million, due July 2019, and the covered bond Series 7, with an original amount of € 1,000.0 million, due February 2020, which are fully retained. Furthermore, the Group and the Bank possesses covered bonds of nominal value amounting to € 30.0 million from the issuance of € 500.0 million, due October 2022 (Series 4).

### 18.4 Euro Medium Term Note

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

The Bank has not issued any bonds under its EMTN Programme during the period 1/1/2018 - 30/6/2018.

## 19 Other provisions

The increase in the line "Other provisions" from € 53.0 million for the Group and € 105.3 million for the Bank as at 31/12/2017 to € 185.7 million and € 176.4 million respectively as at 30/6/2018 is mainly attributable to the allowance for expected credit losses on credit commitments, recognized according to IFRS 9, amounting to € 136.8 million for the Group and € 137.4 million for the Bank (Note 20.3), which was partially offset by the reclassification for the Bank of provisions amounting to € 60.9 million in the allowance for impairment on loans and advances to customers.

## 20 Contingent liabilities, assets pledged, transfers of financial assets and commitments

### 20.1 Legal proceedings

The Group and the Bank is a defendant in certain claims and legal actions arising in the ordinary course of business. For the cases for which a provision has not been recognized, Management is currently unable to estimate the possible losses as:

a) the proceedings are either in early stages or are long outstanding without any certainty of the likelihood and magnitude of the final outcome,
b) there are significant pending legal issues to be resolved that would significantly change such an assessment.

However, based on Management's judgement and after consultation with the Group's Legal Department, the ultimate disposition of these matters is not expected to have a material adverse effect on the Interim Statement of Financial Position, Interim Income Statement and Interim Cash Flow Statement. As at 30 June 2018, Management has estimated a provision for cases under litigation for which a reliable estimation can be made of € 31.9 million and € 26.2 million for the Group and the Bank respectively (31 December 2017: € 32.1 million and € 25.6 million respectively). Additionally, Management has assessed that there is a possible contingent liability arising from specific pending legal cases, whose existence will be confirmed only by the occurrence (or non-occurrence) of one or more uncertain future events not wholly within the control of the Management. This potential contingent liability as at 30 June 2018 amounts to € 136.0 million for the Group and the Bank respectively.

### 20.2 Pending tax audits

Piraeus Bank has been audited by the tax authorities up to and including the year 2010.

For the fiscal years 2011 - 2016, tax audits were required for the Bank and all Greek Societe Anonyme Companies. Such tax audits were conducted by the statutory auditors under Greek Law 2190/1920 according to article 82 of Greek Law 2238/1994 and article 65A of Greek Law 4174/2013 as were in force.

From 2016 onwards the requirement to obtain a tax audit became optional, however Management has opted for the Bank and the Group's Greek subsidiaries to continue to obtain the Tax Audit Certificate from the respective statutory auditors. The Tax Administration retains its right to proceed with a tax audit, within the applicable statute of limitations in accordance with article 36 of Greek Law 4174/2013.

In accordance with the article 82 para. 5 of Greek Law 2238/94, the tax audits of the Bank, conducted by PricewaterhouseCoopers S.A. for the fiscal years of 2011 and 2012, have been completed and unqualified Tax Audit Certificates have been issued.

Amounts in thousand euros (Unless otherwise stated)

The tax audit for the fiscal year 2013 has been completed by PricewaterhouseCoopers S.A. and a relevant Tax Audit Certificate has been issued and submitted to the Ministry of Finance. For the fiscal year 2013, Piraeus Bank has received a Tax Audit Certificate with an emphasis of matter 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 years 2014, 2015 and 2016, the tax audits of the Bank conducted by PricewaterhouseCoopers S.A have been completed and unqualified Tax Audit Certificates have been issued, whereas, for the fiscal year 2017 the tax audit is currently being conducted by Deloitte Certified Public Accountants S.A., as the statutory auditor of the Bank, and a unqualified Tax Audit Certificate is expected to be issued and submitted.

Regarding to the subsidiaries, associates and joint ventures of Piraeus Bank Group that are incorporated in Greece and which must be audited according to the applicable law in force, the tax audit of these entities for the year 2016 has been completed and the relevant Tax Audit Certificates have been issued, whereas for the year 2017 the tax audit is still in progress by the statutory auditors and is expected to be completed by 30 September 2018.

The unaudited tax years of the Group's subsidiaries, associates and joint ventures, are included in Note 14 of the Interim Financial Information and therefore their tax liabilities for these years have not been finalized.

The Tax Authorities have not yet audited all subsidiaries financial years and accordingly their tax positions for those years may not be considered final. Additional taxes and penalties may be imposed, as a result of such tax audits performed by the tax authorities, it is not expected to have a material effect on the Consolidated Statement of Financial Position.

### 20.3 Credit commitments

In the normal course of business, the Group enters into contractual Credit commitments towards its customers to facilitate their financing needs or obligations. Due to their nature, the Credit commitments are treated as off-balance sheet items. These Credit commitments consist of undrawn credit facilities, Letters of Credit and Letters of Guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Typically letters of credit and financial guarantees ensure payment by the Bank to a third party for a customer’s trade transactions or guarantee the performance of a customer to a third party. The Group recognising the inherent Credit risk of these Credit agreements, applies the same Credit policy, approval process and monitoring procedures as those reported on-balance sheet. With the introduction of IFRS 9, the Group has proceeded in calculating the expected credit losses (ECL) for the aforementioned exposures.

As at 30/6/2018 the Group and the Bank had undertaken the following commitments:

| Gross balance | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Letters of guarantee | 2,674,632 | 2,770,387 | 2,878,013 | 2,939,101 |
| Letters of credit | 47,007 | 37,021 | 45,434 | 34,322 |
| Undrawn committed credit facilities (non cancellable) | 371,412 | 499,557 | 319,669 | 354,447 |
| | **3,093,051** | **3,306,965** | **3,243,116** | **3,327,869** |

Undrawn committed credit facilities as at 30 June 2018 include amounts which cannot be cancelled without certain conditions being met at any time and without notice, or for which automatic cancellation due to credit deterioration of the borrower is not allowed. Such commitments are used in the Risk Weighted Assets calculation for capital adequacy purposes under regulatory rules currently in force.

Amounts in thousand euros (Unless otherwise stated)

The allowance for expected credit losses on credit commitments recognized according to IFRS 9 as at 30/6/2018 amounts to € 136.8 million and € 137.4 million, for the Group and the Bank, respectively (1/1/2018: € 153.7 milllion and € 153.5 million for the Group and the Bank, respectively) and is included in line "Other provisions" of the Interim Statement of Financial Position.

### 20.4 Assets pledged

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Cash and balances with Central Bank | 618,271 | 756,126 | 618,271 | 753,153 |
| Loans and advances to credit institutions | - | 1,144 | - | - |
| Financial instruments at fair value through profit or loss | 510,384 | 1,473,151 | 510,384 | 1,473,151 |
| Loans and advances to customers | 12,676,360 | 27,219,771 | 12,676,360 | 27,219,771 |
| Investment securities | - | 1,465,500 | - | 1,463,199 |
| Financial assets at fair value through other comprehensive income | 744,412 | - | 744,412 | - |
| | **14,549,427** | **30,915,692** | **14,549,427** | **30,909,275** |

The above mentioned assets pledged are mainly used for liquidity purposes either through Eurosystem or through interbank repurchase agreement (repo) transactions. In the context of the interbank repurchase agreement (repo) transactions, securities of total nominal value of € 4,852.8 million for the Group and € 4,931.8 million for the Bank (31/12/2017: € 2,141.4 million for the Group and € 2,341.4 million for the Bank) are used for liquidity purposes, out of which Greek government bonds of nominal value € 530.0 million for the Group and € 609.0 million for the Bank (31/12/2017: € 70.0 million for the Group and € 270.0 million for the Bank) and debt securities of own issue of nominal value € 4,175.8 million for both the Group and the Bank (31/12/2017: € 2,071.4 million for both the Group and the Bank).

On 30/6/2018, further to the above assets pledged, both the Group and the Bank have blocked financial assets amounting to € 168.4 million, which are included in line “Loans and advances to credit institutions” in the context of guarantee against the default of the Greek State.

It is also noted that the "Loans and advances to customers" have been pledged under financing from the ELA and the ECB.

### 20.5 Operating lease commitments

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Up to 1 year | 33,359 | 38,453 | 38,009 | 42,190 |
| From 1 to 5 years | 93,851 | 113,380 | 114,755 | 133,962 |
| More than 5 years | 57,290 | 70,262 | 79,560 | 91,263 |
| | **184,501** | **222,095** | **232,324** | **267,415** |

The 2017 figures have been revised to be comparable with 2018.

Amounts in thousand euros (Unless otherwise stated)

## 21 Share capital and contingent convertible securities

| | Bank | | | | | Group |
|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Contingent convertible securities | Total | Treasury Shares | Total |
| **Opening balance at 1 January 2017** | **2,619,955** | **13,074,688** | **2,040,000** | **17,734,643** | **(842)** | **17,733,801** |
| Purchases/ sales of treasury shares | - | - | - | 0 | 463 | 463 |
| **Balance at 31 December 2017** | **2,619,955** | **13,074,688** | **2,040,000** | **17,734,643** | **(379)** | **17,734,264** |
| **Opening balance at 1 January 2018** | **2,619,955** | **13,074,688** | **2,040,000** | **17,734,643** | **(379)** | **17,734,264** |
| Purchases/ sales of treasury shares | - | - | - | 0 | (1,214) | (1,214) |
| **Balance at 30 June 2018** | **2,619,955** | **13,074,688** | **2,040,000** | **17,734,643** | **(1,592)** | **17,733,051** |

Movement in the number of shares issued by the Bank is analysed in the table below:

| | Number of shares | | |
|---|---|---|---|
| | Bank | | Group |
| | Issued shares | Treasury shares | Net number of shares |
| **Opening balance at 1 January 2017** | **8,733,183,280** | **(4,084,853)** | **8,729,098,427** |
| Adjustment (decrease) in the number of ordinary shares due to reverse split (20:1) | (8,296,524,116) | 3,880,610 | (8,292,643,506) |
| **Adjusted opening balance at 1 January 2017** | **436,659,164** | **(204,243)** | **436,454,921** |
| Purchases of treasury shares | - | (4,376,552) | (4,376,552) |
| Sales of treasury shares | - | 4,389,126 | 4,389,126 |
| **Balance at 31 December 2017** | **436,659,164** | **(191,669)** | **436,467,495** |
| **Opening balance at 1 January 2018** | **436,659,164** | **(191,669)** | **436,467,495** |
| Purchases of treasury shares | - | (3,083,925) | (3,083,925) |
| Sales of treasury shares | - | 2,742,126 | 2,742,126 |
| **Balance at 30 June 2018** | **436,659,164** | **(533,468)** | **436,125,696** |

The Bank's share capital on 30/6/2018 and 31/12/2017 amounted to € 2,619,955,984 divided into 436,659,164 ordinary registered shares with a nominal value of € 6.00 each.

In addition, the contingent convertible securities of the Bank that were issued in the context of the share capital increase completed in December 2015 and were covered exclusively by the Hellenic Financial Stability Fund (HFSF) with bonds issued by ESM, on 30/6/2018 and 31/12/2017 corresponded to the amount of € 2,040.0 million.

2 January 2018 was the last day for the exercise of Piraeus Bank Titles Representing Share Ownership Rights (Warrants). Following the settlement of the Warrant exercise orders including the fractional shares, a total of 7,136 Warrants on shares issued by the Bank and owned by the HFSF were exercised, resulting in 15 new common shares, corresponding to 0.0000034% of the total shares outstanding, increasing commensurately the Bank's free float. The 843,629,886 Warrants that had not been exercised by that date, automatically expired and were cancelled by the HFSF after the exercise orders settlement date, on 5 January 2018.

It is noted that within the framework of the Single Supervisory Mechanism (SSM) and according to the Regulation (EU) No1024/2013, credit institutions are subject to the provisions of the ECB Recommendation (ECB/2017/44) on dividend distribution policies during the year 2018 for the fiscal year 2017 and the respective provisions of the Executive Committee Act No 132/06.02.2018 of the Bank of Greece on dividend distribution policies during the year 2018 for the fiscal year 2017, in the context of the aim of strengthening the safety and soundness of the euro – area banking system, as well as to the respective provisions of the Regulation (EU) No 575/2013 and those of the Directive 2013/36/EU, transposed in the national legislation order by the Law 4261/2014.

Amounts in thousand euros (Unless otherwise stated)

Additional restrictions are provided for by Law 3864/2010, as in force for the Banks that participate in the capital support programs and the Cabinet Act 36/2015.

Furthermore, according to relevant decision of ECB (ECB/SSM SREP) for establishing prudential requirements dated 8/12/2017, the Bank is required to obtain the approval of the ECB prior to making any distribution of dividends or any repayment of contingent convertible securities acquired under Greek Law 3864/2010 and prior to making any payment to such securities holders, in cash or by issuing common shares. These limitations shall not apply where non-payment would constitute an event of default.

Based on the above, the Annual General Meeting of Shareholders which took place on 29 June 2018, decided the non – distribution of dividends for the fiscal year 2017, although profit was recognized for the year 2017.

Finally, pursuant to par. 1, art. 16C of Law 3864/2010, the acquisition of treasury shares by the Bank is not permitted, without the approval of HFSF, for as long as the HFSF is a shareholder of the Bank. The purchases and sales of treasury shares during 2017 and H1 2018, as well as the treasury shares owned as at 30/6/2018 and 31/12/2017, are related to transactions that are carried out by the Group's subsidiary Piraeus Securities S.A. through its activities which are derived from its role as a market maker.

## 22 Other reserves and retained earnings

| | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2018** | **31 December 2017** | **30 June 2018** | **31 December 2017** |
| Legal reserve | 107,840 | 111,592 | 69,442 | 69,442 |
| Extraordinary reserve | 13,883 | 13,883 | - | - |
| Available for sale reserve | - | 79,467 | - | 90,390 |
| Financial assets at fair value through other comprehensive income reserve | 97,375 | - | 94,178 | - |
| Currency translation reserve | (58,980) | (208,272) | - | - |
| Other reserves | 41,312 | 41,624 | 26,744 | 26,754 |
| Reserve of defined benefit obligations | (27,535) | (27,271) | (26,821) | (26,832) |
| **Total other reserves** | **173,895** | **11,022** | **163,543** | **159,754** |
| **Retained earnings** | **(10,681,780)** | **(8,326,871)** | **(10,485,614)** | **(8,467,755)** |

| **Other reserves movement** | Group | | Bank | |
|---|---|---|---|---|
| | **30 June 2018** | **31 December 2017** | **30 June 2018** | **31 December 2017** |
| Opening balance | 11,022 | (65,845) | 159,754 | 75,164 |
| Reclassification from available for sale reserve to financial assets at FVTOCI reserve | (79,467) | - | (90,390) | - |
| Movement of available for sale reserve | - | 87,344 | - | 86,431 |
| Movement of financial assets at fair value through other comprehensive income reserve | 97,375 | - | 94,178 | - |
| Transfer from other reserves to retained earnings | 1,053 | (4,113) | (11) | - |
| Acquisitions, disposals, liquidations and movement in participating interest | (5,117) | - | - | - |
| Change in reserve of defined benefit obligations | (264) | (2,465) | 11 | (1,841) |
| Foreign exchange differences and other adjustments | 149,292 | (3,899) | - | - |
| **Closing balance** | **173,895** | **11,022** | **163,543** | **159,754** |

The line "Foreign exchange differences and other adjustments" includes the transfer of loss of € 139.1 million to the profit and loss statement. Relevant information is provided in Note 9.

Amounts in thousand euros (Unless otherwise stated)

| **Available for sale reserve movement** | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2018** | **31 December 2017** | **30 June 2018** | **31 December 2017** |
| Opening balance | - | (7,877) | - | 3,958 |
| Gains/(losses) from the valuation of bonds and Greek Government Treasury Bills | - | 157,396 | - | 156,488 |
| Gains/(losses) from the valuation of shares and mutual funds | - | (4,460) | - | (6,332) |
| Recycling to income statement of shares and mutual funds impairment | - | 2,060 | - | 2,060 |
| Recycling of the accumulated fair value adjustment of disposed securities | - | (32,798) | - | (30,482) |
| Deferred income taxes | - | (35,214) | - | (35,303) |
| Foreign exchange differences and adjustments | - | 360 | - | - |
| **Closing balance** | **0** | **79,467** | **0** | **90,390** |

| **Fair value through OCI reserve movement** | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2018** | **31 December 2017** | **30 June 2018** | **31 December 2017** |
| Balance 31/12/2017 | - | - | - | - |
| Reclassification/Remeasurement due to IFRS 9 adoption | 92,036 | - | 89,555 | - |
| Recognition of expected credit losses under IFRS 9 | 27,111 | - | 26,656 | - |
| **Opening balance at 1/1/2018** | **119,147** | **-** | **116,211** | **-** |
| Gains/(losses) from the valuation of bonds | (5,834) | - | (5,601) | - |
| Gains/(losses) from the valuation of shares | 6,177 | - | 5,940 | - |
| Impairment losses/ (releases) on bonds | (7,019) | - | (7,222) | - |
| Recycling of the valuation of securities disposed | (17,424) | - | (17,264) | - |
| Deferred income taxes | 2,113 | - | 2,115 | - |
| Foreign exchange differences and adjustments | 215 | - | - | - |
| **Closing balance** | **97,375** | **0** | **94,178** | **0** |

| **Retained earnings movement** | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **30 June 2018** | **31 December 2017** | **30 June 2018** | **31 December 2017** |
| Opening balance | (8,326,871) | (8,004,333) | (8,467,755) | (8,353,025) |
| IFRS 9 Transition impact on retained earnings | (1,981,352) | - | (1,893,981) | - |
| Profit/ (loss) after tax attributable to the owners of the Bank | (366,439) | (200,395) | (123,976) | 2,752 |
| Profit/ (loss) from sales of treasury shares | (126) | (83) | - | - |
| Payment to the holders of contingent convertible securities (net of tax) | - | (117,481) | - | (117,481) |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | 99 | - | 99 | - |
| Transfer between other reserves and retained earnings | (1,235) | 4,113 | - | - |
| Acquisitions, disposals and movements in participating interest | (5,857) | (8,691) | - | - |
| **Closing balance** | **(10,681,780)** | **(8,326,871)** | **(10,485,613)** | **(8,467,755)** |

## 23 Related parties transactions

The nature of the transactions entered into by the Group with related parties during the 6 months period ended 30 June 2018 and 30 June 2017 and the balances outstanding at 30 June 2018 and 31 December 2017 are presented below.

Amounts in thousand euros (Unless otherwise stated)

Related parties include:

a) Members of the Bank Board of Directors and key management personnel of the Bank,
b) Close family members 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 close family members) exceeds cumulatively 20%,
d) Subsidiaries,
e) Associates,
f) Joint ventures and
g) HFSF, which holds ordinary shares in the share capital of the Bank and benefits from the special rights stated in article 10 of Greek Law 3864/2010, as amended and in force.

The transactions with the above related parties are under the usual market terms. Loans and advances to customers and letters of guarantee issued to related parties represent an insignificant part of total loans and advances to customers and letters of guarantee issued by the Group, respectively. Loans and advances to customers and letters of guarantee have been issued to related parties in the normal course of business, within the approved credit policies and Group 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 and the other related parties, that include related parties mentioned in points (b) and (c) above, are presented in the table below. It is noted that, with the exception of the interest payment on the outstanding contingent convertible bonds of € 165.5 million for the Group and the Bank in December 2017, there were no significant transactions with the HFSF for the period 1/1 - 30/6/2018 and the year 2017.

| Group | 30/06/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Loans and advances to customers | 3,377 | 40 | 8,892 | 1,887 |
| Due to customers | 992 | 41 | 1,088 | 1,116 |
| Letters of guarantee and letters of credit | - | - | - | - |

| Group | 1/1-30/6/2018 | | 1/1-30/6/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Income | 19 | 6 | 60 | 197 |
| Expense | - | - | 2 | 114 |

| Bank | 30/06/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Loans and advances to customers | 3,377 | 40 | 8,892 | 1,887 |
| Due to customers | 992 | 41 | 1,087 | 1,116 |
| Letters of guarantee and letters of credit | - | - | - | - |

| Bank | 1/1-30/6/2018 | | 1/1-30/6/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Income | 19 | 6 | 60 | 197 |
| Expense | - | - | 2 | 114 |

| Members of the Board of Directors and key management personnel benefits | Group | | Bank | |
|---|---|---|---|---|
| | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/1-30/6/2018 | 1/1-30/6/2017 |
| Short term benefits | 2,240 | 3,372 | 2,104 | 3,372 |
| Post employment benefits | 157 | 252 | 151 | 252 |

Short term benefits for the members of the Board of Directors and the key management personnel include wages, salaries, employers' share of social contributions and other charges. Line "Post employment benefits" includes the cost of programs for the post employment benefits.

The aggregate provisions for post employment benefits to Members of the Board of Directors and key management personnel as at 30/6/2018 amounted to € 3.1 million for the Group and the Bank compared to € 5.3 million respectively as at 31/12/2017. The full amount of the above provisions for post employment benefits has been included in the retirement benefit obligations.

### 23.1 Subsidiaries

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

| | Bank | |
|---|---|---|
| | 30 June 2018 | 31 December 2017 |
| **Assets** | | |
| Cash and balances with Central Bank | - | - |
| Loans and advances to credit institutions | 149,470 | 344,137 |
| Loans and advances to customers | 2,474,397 | 2,672,118 |
| Derivative financial instruments - assets | 2 | 1,463 |
| Other assets | 342,192 | 343,328 |
| **Total** | **2,966,062** | **3,361,046** |
| **Liabilities** | | |
| Due to credit institutions | 216,702 | 373,326 |
| Due to customers | 238,402 | 253,170 |
| Debt securities in issue | 59,739 | 64,489 |
| Derivative financial instruments - liabilities | 19 | 1,663 |
| Other liabilities | 148,425 | 154,587 |
| **Total** | **663,286** | **847,236** |

| | Bank | |
|---|---|---|
| | 1/1-30/6/2018 | 1/1-30/6/2017 |
| **Income** | | |
| Interest and similar income | 30,791 | 34,420 |
| Fee and commission income | 4,119 | 5,741 |
| Other income | (1,075) | 694 |
| **Total** | **33,835** | **40,855** |
| **Expenses** | | |
| Interest expense and similar charges | (5,765) | (10,590) |
| Fee and commission expense | (6,087) | (8,761) |
| Operating expenses | (14,149) | (18,309) |
| **Total** | **(26,001)** | **(37,660)** |

Amounts in thousand euros (Unless otherwise stated)

Letters of guarantee and letters of credit to subsidiaries of the Group as at 30/6/2018 amount to € 208.6 million (31/12/2017: € 201.7 million). The Bank's liabilities from property operating leasing commitments to the Group's subsidiary companies as at 30/6/2018 amount to € 52.3 million (31/12/2017: 52.0 million).

### 23.2 Associates

The transactions with associate companies are analysed as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Loans and advances to customers | 1,228,731 | 1,260,734 | 1,219,868 | 1,252,723 |
| Derivative financial instruments - assets | - | 5,477 | - | 5,477 |
| Other receivables | 2,259 | 2,316 | 787 | 271 |
| Deposits | 66,077 | 61,754 | 64,059 | 59,661 |
| Derivative financial instruments - liabilities | 7,327 | 24,941 | 7,327 | 24,941 |
| Other liabilities | 2,959 | 1,460 | 1,704 | 593 |

The allowance for impairment on loans and advances to customers granted to associate companies as at 30/6/2018 amounted to € 109.2 milllion for the Group and € 107.6 million for the Bank respectively compared to € 92.7 million for both the Group and the Bank as at 31/12/2017.

| | Group | | Bank | |
|---|---|---|---|---|
| | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/1-30/6/2018 | 1/1-30/6/2017 |
| Total expense and capital expenditure | (8,319) | (6,510) | (7,506) | (5,599) |
| Total income | 25,564 | 31,018 | 23,797 | 28,132 |

Letters of guarantee and letters of credit to associates of the Group and the Bank as at 30/6/2018 amounted to € 9.7 million (31/12/2017: € 7.7 million). The liabilities from property operating leasing commitments to the Group's and Bank's associate companies as at 30/6/2018 amounted to € 8.5 million (31/12/2017: 9.4 million).

### 23.3 Joint ventures

The transactions with joint ventures are analysed as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Loans and advances to customers | 52,234 | 51,818 | 52,234 | 51,818 |

The allowance for impairment on loans and advances to customers granted to joint ventures for the Group and the Bank as at 30/6/2018 amounted to € 41.5 million respectively (31/12/2017: € 8.3 million respectively).

| | Group | | Bank | |
|---|---|---|---|---|
| | 1/1-30/6/2018 | 1/1-30/6/2017 | 1/1-30/6/2018 | 1/1-30/6/2017 |
| Total income | 416 | 370 | 416 | 370 |

## 24 Changes in the portfolio of consolidated companies

The analysis of changes of the consolidated companies' portfolio during H1 2018 is presented below:

### 24.1 Gain of control or significant influence:

On 8/6/2018, Piraeus Bank Bulgaria A.D, 99.98% subsidiary company of Piraeus Bank, acquired the 100.00% of the company Emerald Investments EOOD, for a consideration of € 8.1 million. As a result, the company has become a subsidiary company of the Group.

### 24.2 Participation in share capital increases / decreases - Changes of participation:

On 3/4/2018, Piraeus Bank disposed of 50.10% of the share capital of its 100.00% subsidiary company Piraeus Direct Services S.A., for a consideration of € 866 thousand. As a result, the company was transferred to the portfolio of associate companies.

On 4/5/2018, WH South Wind Hellas Ltd, 100.00% subsidiary company of the Group, acquired the 0.20% of Group's subsidiary companies Aiolikon Parko Artas E.E., Aiolikon Parko Evritanias Morforahi E.E., Aiolikon Parko Evritanias Ouranos E.E., DMX Aioliko Parko Rodopi 2 E.E., for the amount of € 20, € 20, € 20 and € 170 respectively. Following the above, the Group owns the 100.00% of the aforementioned companies.

On 31/5/2018, APE Investment Property S.A., 28.92% associate company of Piraeus Bank, proceeded with a share capital increase of € 100.9 million through the issue of preference shares. As a result, Piraeus Bank covered its ratio by paying in total € 29.2 million.

On 29/6/2018, Piraeus Bank acquired an additional 0.15% of the share capital of its 99.85% subsidiary company of the Group, Piraeus Leasing Romania IFN S.A. for an amount of € 12.4 thousand. As a result, Piraeus Bank owns 100.00% of the company.

### 24.3 Liquidation and disposal:

On 10/1/2018, Edificio Enterprise Sh.P.K and Tierra Projects Sh.P.K, 99.09% subsidiary companies of the Group, were set under liquidation.

On 12/2/2018, Piraeus Equity Investment Management Ltd, 100.00% subsidiary company of the Group, was set under liquidation.

On 27/2/2018, Piraeus Master GP Holding Ltd and Piraeus FI Holding Ltd, 100.00% subsidiary companies of the Group, upon their Board of Directors' decision, were set under liquidation.

On 15/3/2018, Piraeus Bank disposed of its total participation in its 100.00% subsidiary company, Olympic Commercial & Tourist Enterprises S.A., for a cosideration of € 80.6 million.

On 26/3/2018, Piraeus Bank disposed of its total participation in its 100.00% subsidiary company, Piraeus ACT Services S.A., for a consideration of € 1.5 million.

On 30/3/2018, Piraeus Green Investments S.A., 100.00% subsidiary company of the Bank, was set under liquidation.

On 3/4/2018, Piraeus Bank completed the transfer of its 99.54% subsidiary company, Sentinel Advisors S.A. (ex ATE Insurance Romania S.A.), for a consideration of € 2.7 million.

On 23/4/2018, Piraeus Bank disposed of the total of its participation in its 100.00% subsidiary company, Piraeus Bank Beograd A.D., for a total cash consideration of € 61.0 million, through a combination of direct sale and simultaneous reduction of capital in Piraeus Bank Beograd AD. At the same time, the transfer of the 51.00% of Group's 100.00% subsidiary company, Piraeus Leasing Doo Beograd to Piraeus Bank Beograd A.D was completed, for the amount of € 1. As a result, Piraeus Bank Beograd A.D. owns the 100.00% of Piraeus Leasing Doo Beograd. Following the above, Piraeus Leasing Doo Beograd, is no longer a subsidiary company of the Group.

On 27/4/2018, Mille Fin S.A., 100.00% subsidiary company of Piraeus Bank, was set under liquidation.

On 24/5/2018, Piraeus Bank proceeded to a disinvestment in its 43.48% associate company, Hellenic Seaways Maritime S.A., by transferring the total of its participation for a consideration of € 41.8 million.

On 29/6/2018, Piraeus Bank disposed of its 100.00% subsidiary company, Piraeus Bank Romania S.A, for a consideration of € 43.5 million.

**24.4 Other changes:**

On 22/2/2018, Cyprus Leasing S.A., 100.00% subsidiary company of Piraeus Bank, was renamed to Piraeus Financial Leases S.A.

On 23/3/2018, ATE Insurance Romania S.A., 99.54% subsidiary company of the Group, was renamed to Sentinel Advisors S.A. and subsequently the entity was disposed on 3/4/2018.

Amounts in thousand euros (Unless otherwise stated)

## 25 Capital adequacy

From January 2014 onwards both Piraeus Bank Group and Piraeus Bank comply with the CRD IV regulatory framework (Basel III implementation under EU rules), which came into force with Directive 2013/36/EU and Regulation (EU) No. 575/2013 (CRR). For the transposition of Directive 2013/36/EU, Greece adopted L. 4261/2014.

The aforementioned regulatory framework requires financial institutions to maintain on a consolidated and stand-alone level, a minimum level of regulatory capital related to the undertaken risks. The minimum thresholds for the capital adequacy ratios, as per article 92 of the CRR, are as follows:

| | Group | Bank |
|---|---|---|
| Common Equity Tier 1 Ratio (CET1) | 4.5% | 4.5% |
| Tier 1 Ratio (T1) | 6.0% | 6.0% |
| Total Capital Ratio (CAD Ratio) | 8.0% | 8.0% |

Following the activation of the SSM on 4 November 2014, both the Group and the Bank came under the direct supervision of the ECB.

Further to the conclusion of the SREP (Supervisory Review and Evaluation Process) for year 2017, the ECB informed Piraeus Group of its total capital requirement, valid from January 2018.

According to the decision, Piraeus Bank has to maintain, on a consolidated basis, an overall capital requirement ratio of 13.625% (2017: 13.000%), which includes: (a) the minimum Pillar I total capital requirements as per article 92(1) of Regulation 575/2013/EU; (b) the additional Pillar II capital requirement as per article 16(2) of Regulation 1024/2013/EU; and (c) the transitional capital conservation buffer of Regulation 575/2013/EU, which for 2018 is set at 1.875%.

The main objectives of both the Group and the Bank with respect to capital adequacy management are the following:

- To comply with the capital requirements regulation against risks undertaken, according to the regulatory framework,
- To preserve the Group's and the Bank's ability to continue unhindered their operations, thus to continue providing returns and benefits to its shareholders and ensure the confidence of their customers,
- To retain a sound and stable capital base in order to support the Group's business plans and
- To maintain and enhance existing infrastructures, policies, procedures and methodologies for the adequate coverage of supervisory needs, in Greece and abroad.

Presented below, are the capital adequacy ratios as at 31/12/2017 and 30/6/2018 for Piraeus Bank Group and Piraeus Bank, as calculated under the existing regulatory framework, taking into account all relevant transitional period provisions applicable under Regulation (EU) No. 575/2013.

| | Group | | Bank | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Common Equity Tier 1 Capital | 6,614,150 | 7,710,725 | 6,836,817 | 7,794,174 |
| Tier 1 Capital | 6,614,150 | 7,710,725 | 6,836,817 | 7,794,174 |
| Total regulatory capital | 6,614,150 | 7,710,725 | 6,836,817 | 7,794,174 |
| Total risk weighted assets (on and off- balance sheet items) | 48,808,477 | 50,981,210 | 47,089,535 | 47,864,312 |
| CET1 Capital ratio | 13.6% | 15.1% | 14.5% | 16.3% |
| T1 Capital ratio | 13.6% | 15.1% | 14.5% | 16.3% |
| Total capital ratio | 13.6% | 15.1% | 14.5% | 16.3% |

The Group's pro-forma Basel III total capital adequacy ratio as at 30 June 2018 stood at 13.97%, equivalent to the Common Equity Tier 1 (CET-1) ratio. The pro-forma total capital adequacy ratio incorporates the positive effect to risk weighted assets (RWA) of selling subsidiaries in Albania and Bulgaria and the 2 loan portfolios (Amoeba and Arctos), as these transactions had not been concluded by 30 June 2018, nevertheless the effect from their sale had already been taken into account in equity capital. If this positive effect in RWAs is not taken into account, the total capital ratio stood at 13.55% a level that constitutes a marginal breach of Overall Capital Requirement ("OCR") ratio of 13.625% set by SSM through the Supervisory Review and Evaluation Process ("SREP"). This marginal OCR breach is considered temporary, as following the completion of the abovementioned transactions, the proforma CET-1 ratio will be restored to 13.97%, thus above the OCR ratio.

2018 EBA EU-Wide Stress Test

On 31 January 2018, the European Banking Authority (EBA), in coordination with the Single Supervisory Mechanism (the "SSM"), launched the 2018 EU-wide stress test (2018 ST), which was designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. For the first time, it incorporated the IFRS 9 accounting standards. No pass-fail capital threshold has been included, as the results, of the exercise are designed to serve as an input to the Supervisory Review and Evaluation Process (SREP).

The 2018 ST exercise is carried out on a sample of banks covering broadly 70% of the banking sector in the euro area, including all the four Greek systemic Banks. The 2018 ST was run at the highest level of consolidation. The exercise was carried out on the basis of actual figures as at 31 December 2017, under the assumption of a static balance sheet, and the scenarios were applied over the three year period from 2018 to 2020.

The 2018 ST covered Piraeus Bank S.A. as a consolidated group, including all subsidiaries and branches, both domestic and international. The 2018 ST captured risks at various levels, ranging from portfolios, obligors, to exposures and transactions. All applicable risk groups as per the 2018 EBA ST Methodology were covered in the Bank's stress test results, including net interest income, credit risk, market risk, conduct risk and other operational risks, as well as other pertinent P&L and capital risks.

On 5 May 2018, the ECB announced the results of the 2018 ST conducted by the ECB concerning the four Greek systemic banks. Under the 2018 ST Piraeus Bank posted a Transitional Common Equity Tier 1 capital ratio (CET1 ratio) of 14.5% under the "baseline" scenario and 5.9% under the "adverse" scenario for the year-ending 31 December 2020.

Piraeus Bank is executing a capital-strengthening plan to ensure that the Bank continues to remain above the applicable capital requirements at all times, and to accelerate its balance sheet de-risking process and NPE deleveraging strategy.

Amounts in thousand euros (Unless otherwise stated)

## 26 Restatements/ reclassifications of comparative period

The restatements/ reclassifications that took place in the Interim Income Statement, in the Interim Statement of Total Comprehensive Income as well as in the Interim Cash Flow Statement for the period 1/1-30/6/2017 and 1/4-30/6/2017 are presented below. The restatements took place mainly due to the classification of the companies Piraeus Bank Romania S.A., Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D. as discontinued operations.

Moreover, during the period 1/1 - 31/5/2017, due to comparison purposes, the Bank restated the credit card expenses associated with interest and administrative expenses into the commission and fee expenses.

| Interim Income Statement | Group | | |
|---|---|---|---|
| | From 1 January to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| Interest and similar income | 1,177,766 | (49,947) | 1,127,819 |
| Interest expense and similar charges | (304,444) | 9,045 | (295,399) |
| **Net interest income** | **873,322** | **(40,903)** | **832,420** |
| Fee and commission income | 193,403 | (15,960) | 177,444 |
| Fee and commission expense | (30,921) | 2,867 | (28,054) |
| **Net fee and commission income** | **162,482** | **(13,093)** | **149,390** |
| Dividend income | 6,165 | (386) | 5,779 |
| Net income from financial instruments measured at fair value through profit or loss | 29,531 | 428 | 29,959 |
| Results from investment securities | 30,384 | (1,306) | 29,078 |
| Results from the disposal of participation of subsidiaries and associates | (173) | - | (173) |
| Other income/ (expenses) | 98,222 | 2,629 | 100,851 |
| **Total net income** | **1,199,934** | **(52,630)** | **1,147,305** |
| Staff costs | (285,909) | 21,514 | (264,395) |
| Administrative expenses | (243,089) | 29,392 | (213,697) |
| Depreciation and amortisation | (51,769) | 4,802 | (46,967) |
| Gains/ (losses) from sale of property and equipment and intangible assets | (1,050) | (17) | (1,067) |
| **Total operating expenses before provisions** | **(581,818)** | **55,691** | **(526,126)** |
| **Profit before provisions, impairment and income tax** | **618,116** | **3,062** | **621,178** |
| Impairment losses on loans and advances to customers | (518,234) | (3,974) | (522,208) |
| Impairment losses on other assets | (18,165) | 893 | (17,272) |
| Impairment of property & equipment and intangible assets | (71,446) | 394 | (71,052) |
| Other provisions and impairment | (8,811) | 2,563 | (6,248) |
| Share of profit/ (loss) of associates and joint ventures | (26,405) | - | (26,405) |
| **Profit/ (loss) before income tax** | **(24,945)** | **2,938** | **(22,007)** |
| Income tax benefit/ (expense) | 23,317 | 160 | 23,477 |
| **Profit/ (loss) for the period from continuing operations** | **(1,627)** | **3,098** | **1,470** |
| Profit/ (loss) after income tax from discontinued operations | (74,674) | (3,098) | (77,772) |
| **Profit/ (loss) for the period** | **(76,301)** | **0** | **(76,301)** |
| **From continuing operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | (70) | 3,098 | 3,028 |
| Non controlling interest | (1,557) | (1) | (1,558) |
| **From discontinued operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | (74,894) | (3,098) | (77,993) |
| Non controlling interest | 220 | 1 | 221 |
| **Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):** | | | |
| From continuing operations | | | |
| - Basic and diluted | (0.0002) | 0.0071 | 0.0069 |
| From discontinued operations | | | |
| - Basic and diluted | (0.1716) | (0.0071) | (0.1787) |

Amounts in thousand euros (Unless otherwise stated)

| Interim Income Statement | Group | | |
|---|---|---|---|
| | From 1 April to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| Interest and similar income | 585,620 | (27,792) | 557,828 |
| Interest expense and similar charges | (149,145) | 4,238 | (144,907) |
| **Net interest income** | **436,476** | **(23,554)** | **412,921** |
| Fee and commission income | 102,143 | (9,949) | 92,194 |
| Fee and commission expense | (20,215) | 4,282 | (15,934) |
| **Net fee and commission income** | **81,928** | **(5,667)** | **76,261** |
| Dividend income | 6,009 | (385) | 5,625 |
| Net income from financial instruments measured at fair value through profit or loss | 20,142 | 2,237 | 22,378 |
| Results from investment securities | 8,046 | (7) | 8,039 |
| Other income/ (expenses) | 100,140 | 2,206 | 102,345 |
| **Total net income** | **652,740** | **(25,170)** | **627,569** |
| Staff costs | (143,458) | 10,900 | (132,558) |
| Administrative expenses | (123,167) | 17,815 | (105,352) |
| Depreciation and amortisation | (25,361) | 2,462 | (22,899) |
| Gains/ (losses) from sale of property and equipment and intangible assets | (81) | (12) | (93) |
| **Total operating expenses before provisions** | **(292,067)** | **31,164** | **(260,902)** |
| **Profit before provisions, impairment and income tax** | **360,673** | **5,994** | **366,667** |
| Impairment losses on loans and advances to customers | (259,039) | (4,992) | (264,031) |
| Impairment losses on other assets | (11,133) | 715 | (10,418) |
| Impairment of property & equipment and intangible assets | (69,921) | 394 | (69,527) |
| Other provisions and impairment | (6,164) | 1,019 | (5,145) |
| Share of profit/ (loss) of associates and joint ventures | (19,280) | - | (19,280) |
| **Profit/ (loss) before income tax** | **(4,864)** | **3,130** | **(1,734)** |
| Income tax benefit/ (expense) | 10,391 | 58 | 10,448 |
| **Profit/ (loss) for the period from continuing operations** | **5,527** | **3,188** | **8,714** |
| Profit/ (loss) after income tax from discontinued operations | (74,017) | (3,188) | (77,204) |
| **Profit/ (loss) for the period** | **(68,490)** | **(0)** | **(68,490)** |
| **From continuing operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | 6,635 | 3,163 | 9,799 |
| Non controlling interest | (1,109) | 24 | (1,084) |
| **From discontinued operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | (74,144) | (3,163) | (77,308) |
| Non controlling interest | 128 | (24) | 103 |
| **Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):** | | | |
| From continuing operations | | | |
| - Basic and diluted | 0.0152 | 0.0072 | 0.0225 |
| From discontinued operations | | | |
| - Basic and diluted | (0.1699) | (0.0072) | (0.1771) |

Amounts in thousand euros (Unless otherwise stated)

It is noted that the above presented figures under line "Impairment of property & equipment and intangible assets" are included in line "Other impairment losses" of the Interim Income Statement for the period 1/1 - 30/6/2018. Additionally, the aforementioned line "Other impairment losses" of the Interim Income Statement for the period 1/1 - 30/6/2018 also includes an amount of € 0.4 million, presented under line "Other provisions and impairment" of the above Interim Income Statement for the comparative period.

| Interim Income Statement | Bank | | |
|---|---|---|---|
| | From 1 April to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| Interest and similar income | 559,325 | (2,875) | 556,450 |
| **Net interest income** | **409,900** | **(2,875)** | **407,024** |
| Fee and commission income | 79,858 | (1,738) | 78,119 |
| Fee and commission expense | (20,538) | 2,875 | (17,663) |
| **Net fee and commission income** | **59,319** | **1,137** | **60,456** |
| **Total net income** | **482,261** | **(1,738)** | **480,522** |
| Administrative expenses | (105,345) | 1,738 | (103,606) |
| **Total operating expenses before provisions** | **(250,990)** | **1,738** | **(249,252)** |
| **Profit before provisions, impairment and income tax** | **231,270** | **0** | **231,270** |
| **Profit/ (loss) before income tax** | **(21,409)** | **0** | **(21,409)** |

| Interim Statement of Total Comprehensive Income | Group | | |
|---|---|---|---|
| | From 1 January to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| **CONTINUING OPERATIONS** | | | |
| **Profit/ (loss) for the period (A)** | **(1,627)** | **3,098** | **1,470** |
| **Other comprehensive income, net of tax:** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 42,818 | 113 | 42,930 |
| Change in currency translation reserve | (2,892) | (1,639) | (4,531) |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | (7) | - | (7) |
| **Other comprehensive income, net of tax (B)** | **39,918** | **(1,527)** | **38,392** |
| **Total comprehensive income, net of tax (A+B)** | **38,291** | **1,571** | **39,862** |
| - Attributable to equity holders of the parent entity | 39,819 | 1,592 | 41,412 |
| - Non controlling interest | (1,529) | (21) | (1,550) |
| **DISCONTINUED OPERATIONS** | | | |
| **Profit/ (loss) for the period (C)** | **(74,674)** | **(3,098)** | **(77,772)** |
| **Other comprehensive income, net of tax:** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 56 | (113) | (57) |
| Change in currency translation reserve | 2,271 | 1,639 | 3,910 |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income, net of tax (D)** | **2,327** | **1,527** | **3,854** |
| **Total comprehensive income, net of tax (C+D)** | **(72,347)** | **(1,571)** | **(73,918)** |
| - Attributable to equity holders of the parent entity | (72,567) | (1,592) | (74,159) |
| - Non controlling interest | 220 | 21 | 241 |

Amounts in thousand euros (Unless otherwise stated)

| Interim Statement of Total Comprehensive Income | Group | | |
|---|---|---|---|
| | From 1 April to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| **CONTINUING OPERATIONS** | | | |
| **Profit/ (loss) for the period (A)** | **5,527** | **3,188** | **8,714** |
| **Other comprehensive income, net of tax:** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 31,072 | (530) | 30,543 |
| Change in currency translation reserve | (1,391) | (2,766) | (4,157) |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income, net of tax (B)** | **29,681** | **(3,295)** | **26,386** |
| **Total comprehensive income, net of tax (A+B)** | **35,208** | **(108)** | **35,100** |
| - Attributable to equity holders of the parent entity | 36,277 | (104) | 36,174 |
| - Non controlling interest | (1,070) | (4) | (1,074) |
| **DISCONTINUED OPERATIONS** | | | |
| **Profit/ (loss) for the period (C)** | **(74,017)** | **(3,188)** | **(77,204)** |
| **Other comprehensive income, net of tax:** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Change in available for sale reserve | 25 | 530 | 555 |
| Change in currency translation reserve | 2,686 | 2,766 | 5,451 |
| **Items that will not be reclassified to profit or loss** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income, net of tax (D)** | **2,711** | **3,295** | **6,006** |
| **Total comprehensive income, net of tax (C+D)** | **(71,306)** | **108** | **(71,198)** |
| - Attributable to equity holders of the parent entity | (71,434) | 104 | (71,330) |
| - Non controlling interest | 128 | 4 | 132 |

| Interim Cash Flow Statement | Group | | |
|---|---|---|---|
| | From 1 January to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| Net cash inflow/ (outflow) from operating activities | 570,995 | (156,964) | 414,031 |
| Net cash inflow/ (outflow) from investing activities | (172,773) | (690,199) | (862,972) |
| Net cash inflow/ (outflow) from financing activities | (12,067) | - | (12,067) |
| Total cash inflows/ (outflows) for the period | **386,155** | **(847,163)** | **(461,009)** |
| Effect of exchange rate fluctuations on cash and cash equivalents | 862 | (1,496) | (634) |
| **Net increase/ (decrease) in cash and cash equivalents from continuing operations (A)** | **387,017** | **(848,659)** | **(461,643)** |
| **Net increase/ (decrease) in cash and cash equivalents from discontinued operations (B)** | **(22,655)** | **78,971** | **56,317** |
| **Cash and cash equivalents at the beginning of the period (C)** | **1,814,951** | **423,008** | **2,237,960** |
| **Cash and cash equivalents at the end of the period (A)+(B)+(C)** | **2,179,314** | **(346,680)** | **1,832,634** |

| Interim Cash Flow Statement | Bank | | |
|---|---|---|---|
| | From 1 January to 30 June 2017 | | |
| | Published amounts | Restatements | Restated amounts |
| Net (increase)/ decrease in cash and balances with Central Banks | 241,077 | (309,933) | (68,857) |
| Net (increase)/ decrease in loans and advances to credit institutions | 10,832 | 241,077 | 251,909 |
| Disposals/ maturity of investment securities | 6,979,051 | (700,831) | 6,278,219 |
| **Cash and cash equivalents at the beginning of the period** | **1,082,942** | **423,008** | **1,505,950** |
| **Cash and cash equivalents at the end of the period** | **1,424,197** | **(346,680)** | **1,077,517** |

## 27 Events subsequent to the end of the period

The most important corporate events for Piraeus Bank after the 1st semester of 2018 and up to the publication of the financial statements, were the following:

- On 2 July 2018, Piraeus Bank announces that it has entered into a binding agreement with APS Investments S.a.r.l. for the sale and transfer of non-performing, denounced unsecured retail consumer and credit card loans of € 0.4 billion on-balance sheet gross book value, for a consideration in cash of € 52.0 million. The closing of the Transaction is subject to customary conditions, including regulatory and other approvals by the respective authorities in Greece, including the consent of the HFSF. Following the completion of the transaction, the Bank will have no control over the servicing of the portfolio and will retain none of the risks and rewards associated with it.

- On 3 July 2018, the credit rating agency S&P Global upgraded the long-term / short-term ratings of Piraeus Bank to 'B-/B' with Stable Outlook from 'CCC+/C' with Stable Outlook.

- On 12 July 2018, Piraeus Bank brought down to zero its funding through ELA (Emergency Liquidity Assistance) from € 0.3 billion at 30 June 2018 and € 5.7 billion at 31 December 2017.

- On 31 July 2018, the four systemic Banks entered into a servicing agreement with a credit institution specialized on servicing of non-performing loans, doBank S.p.A (doBank). doBank will support them in the exclusive management of common NPEs of more than 300 Greek SMEs with approximate nominal value of € 1.8 billion, by facilitating the effective search of viable restructuring solutions when feasible.

- On 3 August 2018, Piraeus Bank announces that the 1st phase of the tender process for the disposal of 100% of the shares of its subsidiary Imithea S.A., owner and operator of the Henry Dunant Hospital Center, was completed, following the timely submission of a satisfactory number of non-binding offers by investors participating in the competitive tender process.

- On 7 August 2018, Piraeus Bank announces that it has entered into an agreement with the Balfin Group and the Komercijalna Banka, for the disposal of shares in its subsidiary in Albania, Tirana Bank. The transaction is subject to customary conditions, including regulatory and other approvals by the respective authorities in the European Commission, Greece and Albania, as well as the HFSF. The total consideration amounts to € 57.3 million for the 98.83% stake that the Bank holds in Tirana Bank.

- On 10 August 2018, the Governing Council of the ECB decided that, beginning 21 August 2018, the Eurosystem's standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Hellenic Republic and that such debt instruments will be subject to the standard haircuts set out in Guideline (EU) 2016/65 of the ECB. Piraeus Bank, having incorporated this development of the so-called waiver lift in its funding strategy, absorbed the impact without a problem by tapping the interbank repo market.

- On 27 August 2018, DBRS Ratings assigned a provisional investment grade credit rating of BBB (low) to Piraeus Bank's € 10 billion Global Covered Bonds Program, under which there are currently five outstanding series worth € 4.5 billion of covered bonds.

Athens, 31 August 2018

| CHAIRMAN OF THE BOARD OF DIRECTORS | MANAGING DIRECTOR | CHIEF FINANCIAL OFFICER | DEPUTY CHIEF FINANCIAL OFFICER |
|---|---|---|---|
| GEORGE P. HANDJINICOLAOU | CHRISTOS I. MEGALOU | KONSTANTINOS S. PASCHALIS | GEORGE TH. MARINOPOULOS |