PIRAEUS BANK

PIRAEUS BANK GROUP

Consolidated Interim Financial Information

30 September 2018

The attached Consolidated Interim Financial Information has been approved by Piraeus Bank S.A. Board of Directors on 30 November 2018 and it is available on the web site of Piraeus Bank at www.piraeusbankgroup.com

This Consolidated Interim Financial Information has been translated from the original Consolidated Interim Financial Information that has been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language Consolidated Interim Financial Information, the Greek language Consolidated Interim Financial Information will prevail over this document.

Index to the Consolidated Interim Financial Information

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED INTERIM INCOME STATEMENT	Note	Period from 1 January to		Period from 1 July to	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
Interest and similar income	7	1,411,010	1,679,238	457,163	551,419
Interest expense and similar charges	7	(365,657)	(435,594)	(111,286)	(140,195)
NET INTEREST INCOME		**1,045,354**	**1,243,644**	**345,876**	**411,224**
Fee and commission income	7	330,931	313,823	150,752	136,379
Fee and commission expense	7	(52,705)	(44,683)	(21,210)	(16,629)
NET FEE AND COMMISSION INCOME		**278,226**	**269,139**	**129,543**	**119,750**
Dividend income		6,896	5,978	191	199
Net income/ (losses) from financial instruments measured at fair value through profit or loss		38,887	35,493	15,252	5,534
Results from investment securities		-	38,617	-	9,539
Results from the disposal of participation of subsidiaries and associates		(18,826)	(9)	331	164
Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income		12,257	-	(4,909)	-
Other income/ (expenses)		48,735	108,989	15,160	8,138
TOTAL NET INCOME		**1,411,527**	**1,701,851**	**501,444**	**554,547**
Staff costs	8	(501,894)	(392,698)	(117,482)	(128,303)
Administrative expenses		(317,289)	(325,042)	(105,719)	(111,345)
Depreciation and amortisation		(77,075)	(70,587)	(25,504)	(23,620)
Gains/ (losses) from sale of property and equipment and intangible assets		(2,162)	(1,040)	137	28
TOTAL OPERATING EXPENSES BEFORE PROVISIONS		**(898,421)**	**(789,367)**	**(248,568)**	**(263,240)**
PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX		**513,107**	**912,485**	**252,876**	**291,306**
Impairment losses on loans and advances to customers	13	(394,439)	(831,990)	(149,165)	(309,781)
Impairment losses on other assets		(21,619)	(21,118)	(1,610)	(3,846)
Impairment (losses)/ releases on financial assets at fair value through other comprehensive income		6,246	-	(976)	-
Impairment on participations	14	(49,795)	(2)	-	-
Other impairment losses		(7,173)	(71,169)	(3,198)	(535)
Other provision releases/ (charges)		12,716	(8,898)	1,290	(2,234)
Share of profit/ (loss) of associates and joint ventures		(13,414)	(22,682)	10,575	3,723
PROFIT/ (LOSS) BEFORE INCOME TAX		**45,629**	**(43,374)**	**109,792**	**(21,367)**
Income tax benefit/ (expense)	10	(10,139)	25,771	(16,565)	2,294
PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**35,490**	**(17,603)**	**93,227**	**(19,073)**
Profit/ (loss) after income tax from discontinued operations	9	(339,378)	(72,539)	(26,722)	5,233
PROFIT/ (LOSS) FOR THE PERIOD		**(303,889)**	**(90,142)**	**66,505**	**(13,840)**
From continuing operations					
Profit/ (loss) attributable to equity holders of the Bank		39,749	(15,149)	94,264	(18,177)
Non controlling interest		(4,259)	(2,453)	(1,037)	(896)
From discontinued operations					
Profit/ (loss) attributable to equity holders of the Bank		(338,660)	(72,767)	(26,736)	5,226
Non controlling interest		(718)	228	14	7
Earnings/ (losses) per share attributable to equity holders of the Bank (in €):					
From continuing operations					
- Basic	11	0.0911	(0.0347)	0.2160	(0.0416)
- Diluted	11	0.0478	(0.0182)	0.1135	(0.0219)
From discontinued operations					
- Basic	11	(0.7760)	(0.1667)	(0.0613)	0.0120
- Diluted	11	(0.4076)	(0.0876)	(0.0322)	0.0063

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME	Note	Period from 1 January to		Period from 1 July to	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
CONTINUING OPERATIONS					
Profit/ (loss) for the period (A)		**35,490**	**(17,603)**	**93,227**	**(19,073)**
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	(32,191)	-	(5,967)	-
Change in available for sale reserve	12	-	34,511	-	(8,419)
Change in currency translation reserve	12	1,943	(6,764)	(2,618)	(2,233)
Items that will not be reclassified to profit or loss					
Change in reserve from financial assets at fair value through other comprehensive income	12	4,709	-	562	-
Change in reserve of defined benefit obligations	12	(210)	16	-	23
Other comprehensive income/ (expense), net of tax (B)	12	**(25,748)**	**27,763**	**(8,022)**	**(10,629)**
Total comprehensive income/ (expense), net of tax (A)+(B)		**9,741**	**10,160**	**85,205**	**(29,702)**
- Attributable to equity holders of the Bank		14,027	12,578	86,264	(28,834)
- Non controlling interest		(4,286)	(2,418)	(1,060)	(868)
DISCONTINUED OPERATIONS					
Profit/ (loss) for the period (C)		**(339,378)**	**(72,539)**	**(26,722)**	**5,233**
Other comprehensive income/ (expense), 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	260	-	180	-
Change in available for sale reserve	12	-	364	-	421
Change in currency translation reserve	12	144,571	2,772	(221)	(1,138)
Items that will not be reclassified to profit or loss					
Change in reserve from financial assets at fair value through other comprehensive income	12	462	-	225	-
Change in reserve of defined benefit obligations	12	(54)	-	-	-
Other comprehensive income/ (expense), net of tax (D)	12	**145,239**	**3,136**	**185**	**(717)**
Total comprehensive income/ (expense), net of tax (C)+(D)		**(194,139)**	**(69,403)**	**(26,537)**	**4,515**
- Attributable to equity holders of the Bank		(193,496)	(69,641)	(26,551)	4,518
- Non controlling interest		(643)	238	14	(3)

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	Note	30 September 2018	31 December 2017
ASSETS			
Cash and balances with Central Banks		853,554	1,449,240
Loans and advances to credit institutions		1,008,961	2,147,758
Financial assets at fair value through profit or loss		444,262	1,499,824
Financial assets mandatorily at fair value through profit or loss		116,542	-
Derivative financial instruments - assets		363,206	459,993
Reverse repos with customers		264,225	90,253
Loans and advances to customers	13	38,956,425	44,719,530
Financial assets at fair value through other comprehensive income		2,250,993	-
Available for sale securities		-	2,203,803
Debt securities at amortised cost		83,678	23,109
Assets held for sale		480,870	18,110
Investment property		1,178,885	1,120,627
Investments in associated undertakings and joint ventures	14	138,283	251,374
Property and equipment		1,031,474	1,041,435
Intangible assets		292,672	300,771
Current tax assets		217,541	219,157
Deferred tax assets		6,549,739	6,542,813
Other assets		3,180,928	3,045,223
Assets from discontinued operations	9	1,852,159	2,283,542
TOTAL ASSETS		**59,264,398**	**67,416,562**
LIABILITIES			
Due to credit institutions	15	4,720,132	11,435,086
Due to customers	16	42,886,383	42,715,252
Liabilities at fair value through profit or loss	17	50,233	-
Derivative financial instruments - liabilities		381,608	402,233
Debt securities in issue	18	529,802	435,277
Current income tax liabilities		12,815	2,437
Deferred tax liabilities		36,204	34,432
Retirement benefit obligations		224,065	194,162
Other provisions	19	183,952	52,959
Other liabilities		987,161	959,670
Liabilities from discontinued operations	9	1,851,533	1,640,856
TOTAL LIABILITIES		**51,863,886**	**57,872,365**
EQUITY			
Share capital (ordinary shares)	21	2,619,955	2,619,955
Share premium	21	13,074,688	13,074,688
Contingent convertible securities	21	2,040,000	2,040,000
Less: Treasury shares	21	(59)	(379)
Other reserves	22	153,531	11,022
Retained earnings	22	(10,608,537)	(8,326,871)
Capital and reserves attributable to equity holders of the parent entity		**7,279,578**	**9,418,415**
Non controlling interest		120,934	125,782
TOTAL EQUITY		**7,400,512**	**9,544,198**
TOTAL LIABILITIES AND EQUITY		**59,264,398**	**67,416,562**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED 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	-	-	-	-	30,853	-	30,853	46	30,899
Profit/ (loss) after tax for the period 1/1 - 30/9/2017	22	-	-	-	-	-	(87,916)	(87,916)	(2,226)	(90,142)
Total recognized profit/ (loss) for the period 1/1 - 30/9/2017		**0**	**0**	**0**	**0**	**30,853**	**(87,916)**	**(57,063)**	**(2,180)**	**(59,243)**
(Purchases)/ sales of treasury shares	21, 22	-	-	-	308	-	120	428	-	428
Transfer between other reserves and retained earnings	22	-	-	-	-	(2,362)	2,362	-	-	0
Movement in participating interest	22	-	-	-	-	-	(10,512)	(10,512)	(30,737)	(41,249)
Balance as at 30 September 2017		**2,619,955**	**13,074,688**	**2,040,000**	**(534)**	**(37,354)**	**(8,100,280)**	**9,596,476**	**127,199**	**9,723,675**
Opening balance as at 1 October 2017		**2,619,955**	**13,074,688**	**2,040,000**	**(534)**	**(37,354)**	**(8,100,280)**	**9,596,476**	**127,199**	**9,723,675**
Other comprehensive income, net of tax		-	-	-	-	50,127	-	50,127	69	50,196
Profit/ (loss) after tax for the period 1/10 - 31/12/2017	22	-	-	-	-	-	(112,479)	(112,479)	(1,684)	(114,164)
Total recognised profit/ (loss) for the period 1/10 - 31/12/2017		**0**	**0**	**0**	**0**	**50,127**	**(112,479)**	**(62,352)**	**(1,616)**	**(63,968)**
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	-	-	-	155	-	(203)	(48)	-	(48)
Transfer between other reserves and retained earnings	22	-	-	-	-	(1,751)	1,751	-	-	0
Disposals, liquidations and movement in participating interest	22	-	-	-	-	-	1,821	1,821	223	2,044
Balance as at 31 December 2017		**2,619,955**	**13,074,688**	**2,040,000**	**(379)**	**11,022**	**(8,326,871)**	**9,418,416**	**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)**	**7,476,744**	**125,675**	**7,602,419**
Other comprehensive income, net of tax	12	-	-	-	-	119,442	-	119,442	49	119,491
Profit/ (loss) after tax for the period 1/1 - 30/9/2018	22	-	-	-	-	-	(298,911)	(298,911)	(4,978)	(303,889)
Total recognised profit/ (loss) for the period 1/1 - 30/9/2018		**0**	**0**	**0**	**0**	**119,442**	**(298,911)**	**(179,469)**	**(4,929)**	**(184,398)**
(Purchases)/ sales of treasury shares	21, 22	-	-	-	319	-	(509)	(190)	-	(190)
Transfer between other reserves and retained earnings	22	-	-	-	-	(10,903)	10,903	-	-	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	-	-	-	-	(5,711)	(11,895)	(17,606)	187	(17,419)
Balance as at 30 September 2018		**2,619,955**	**13,074,688**	**2,040,000**	**(59)**	**153,531**	**(10,608,537)**	**7,279,578**	**120,934**	**7,400,512**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED INTERIM CASH FLOW STATEMENT	Note	Period from 1 January to 30 September 2018	Period from 1 January to 30 September 2017
Cash flows from operating activities from continuing operations			
Profit/ (Loss) before tax		45,629	(43,374)
Adjustments to profit/ loss before tax:			
Add: provisions and other impairment charges		454,064	933,177
Add: depreciation and amortisation charge		77,075	70,587
Add: retirement benefits and cost of voluntary exit scheme		146,375	8,243
(Gains)/ losses from valuation of financial instruments at fair value through profit or loss		(14,948)	(16,751)
Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income		(12,257)	-
(Gains)/ losses from investing activities		28,642	199,750
Cash flows from operating activities before changes in operating assets and liabilities		724,580	1,151,632
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Banks		278,909	(35,423)
Net (increase)/ decrease in financial instruments at fair value through profit or loss		(251,818)	(10,907)
Net (increase)/ decrease in financial assets mandatorily at fair value through profit or loss		3,569	-
Net (increase)/ decrease in debt securities at amortised cost		(83,693)	9,647,510
Net (increase)/ decrease in loans and advances to credit institutions		97,286	308,291
Net (increase)/ decrease in loans and advances to customers		2,539,620	2,875,028
Net (increase)/ decrease in reverse repos with customers		(175,352)	(38,113)
Net (increase)/ decrease in other assets		(219,787)	(52,687)
Net increase/ (decrease) in amounts due to credit institutions		(6,731,360)	(12,686,365)
Net increase/ (decrease) in liabilities at fair value through profit or loss		50,198	-
Net increase/ (decrease) in amounts due to customers		1,775,334	(276,998)
Net increase/ (decrease) in other liabilities		(81,752)	(379,596)
Net cash flow from operating activities before income tax payment		(2,074,265)	502,372
Income tax paid		(116)	(483)
Net cash inflow/ (outflow) from continuing operating activities		**(2,074,382)**	**501,889**
Cash flows from investing activities of continuing operations			
Purchases of property and equipment		(102,344)	(146,262)
Sales of property and equipment and intangible assets		24,072	5,684
Purchases of intangible assets		(19,872)	(20,091)
Purchases of assets held for sale		(436)	(1,649)
Sales of assets held for sale		66	10
Purchases of financial assets at fair value through other comprehensive income		(1,648,380)	-
Disposals of financial assets at fair value through other comprehensive income		1,151,063	-
Purchases of investment securities		-	(4,740,511)
Disposals/ maturity of investment securities		-	4,213,410
Disposals of subsidiaries excluding cash & cash equivalents disposed		193,966	-
Participation in share capital increases/ decreases of associates	24	(13,701)	(9,900)
Acquisition of subsidiaries and participation in share capital increases/(decreases)		-	(2,400)
Sales of associates		9,434	-
Dividends received		6,895	5,978
Net cash inflow/ (outflow) from continuing investing activities		**(399,237)**	**(695,730)**
Cash flows from financing activities of continuing operations			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		94,525	(17,726)
Purchases/ sales of treasury shares and preemption rights		(190)	428
Net cash inflow/ (outflow) from continuing financing activities		**94,335**	**(17,299)**
Effect of exchange rate changes on cash and cash equivalents		(11,024)	(280)
Net increase/ (decrease) in cash and cash equivalents from continuing activities (A)		**(2,390,308)**	**(211,421)**
Net cash flows from discontinued operating activities		83,959	132,119
Net cash flows from discontinued investing activities		(310,930)	(68,545)
Net cash flows from discontinued financing activities		-	-
Exchange difference of cash and cash equivalents		(2,010)	6,260
Net incease/ (decrease) in cash and cash equivalents from discontinued activities (B)		**(228,980)**	**69,833**
Cash and cash equivalents at the beginning of the period (C)		**4,187,508**	**2,237,960**
Cash and cash equivalents at the end of the period (A) + (B) + (C)		**1,568,220**	**2,096,372**

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 30/09/2018, in total 15,170 people of which 2,375 people refer to discontinued operations (IMITHEA S.A., Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D.).

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 (Global SC, 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 Consolidated Interim Financial Information is as follows:

George P. Handjinicolaou	Chairman of the BoD, Non-Executive Member
Karel G. De Boeck	Vice-Chairman of the BoD, Independent Non-Executive Member
Christos I. Megalou	Managing Director & CEO, Executive BoD Member
George G. Georgakopoulos	Executive BoD Member
Venetia G. Kontogouri	Independent Non-Executive BoD Member
Arne S. Berggren	Independent Non-Executive BoD Member
Enrico Tommaso C. Cucchiani	Independent Non-Executive BoD Member
David R. Hexter	Independent Non-Executive BoD Member
Solomon A. Berahas	Non-Executive BoD Member
Alexander Z. Blades	Non-Executive BoD Member
Per Anders J. Fasth	Non-Executive BoD Member, HFSF Representative under Law 3864/2010.

According to the Bank's Codified Articles of Association and the current institutional framework, the members of the Bank's Board of Directors are elected by the General Meeting of Shareholders and are always re-elected. The Members of the Board of Directors have a term of three years, which may be extended until the first Ordinary General Meeting convened after such term has elapsed. It is noted that pursuant the Law 3864/2010, a representative of the Hellenic Financial Stability Fund (HFSF) is taking part in the Board of Directors. Furthermore, in case of replacement of a member of the Board of Directors, according to the Bank's Codified Articles of Association, the respective replacement applies for the remaining term of the member being replaced. Pursuant the Annual General Shareholders' Meeting Resolution as of 28 June 2017, the term of the Board of Directors expires on 28 June 2020, extended as above mentioned.

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 year ended 31 December 2017 apply to comparative periods.

2.1 Basis of preparation

The Consolidated Interim Financial Information for the Q3 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out below.

The amounts are stated in thousand Euros, rounded to the nearest thousand (unless otherwise stated). Any differences, between the amounts presented in the primary statements 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 primary statements, as presented in Note 26 of the Interim Financial Information.

The Interim Financial Information has been prepared under the historical cost convention, except for those 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 critical accounting estimates and judgements 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: measurement uncertainty in determination of ECL estimates, fair value of loans and advances to customers mandatorily at FVTPL, fair value of investments measured at FVTPL, fair value of over the counter derivative instruments, recoverability of deferred tax assets (“DTA”), impairments of investments in subsidiaries, associated undertakings and joint ventures, fair value of investment property, and other receivables from the Greek public sector.

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

2.2 Going concern

Conclusion

Management has concluded, after taking into account, a) the significant developments that have taken place in the Greek economy during the last years and the estimates that point to the macroeconomic environment maintaining its growth momentum, b) the Group's improving liquidity position with zero reliance on Emergency Liquidity Assistance "ELA" since July 2018 and enhanced access to international markets of repos, and c) the Group's capital adequacy, that the Interim Financial Information as of 30 September 2018 has been appropriately prepared on a going concern basis.

Macroeconomic environment

In 2018, the Greek economy is expected to maintain the 2017 growth momentum. Significant developments consist the base of fiscal stability and the gradual improvement of economic sentiment. The boosted economic activity and the focusing of the economic policy to the necessary reforms, will ensure the growth trajectory of the Greek economy.

On 20 August 2018, Greece concluded the 3-years ESM's economic adjustment program, with a total disbursed amount of € 61.9 billion (last tranche of € 15.0 billion disbursed on 6 August 2018). In the framework of the 3rd financial adjustment program a range of short-term debt relief measures were implemented, since 2017, and further measures are expected to be enforced, in line with what has been decided at the Eurogroup on 21-22 June 2018. In this meeting the Eurogroup also agreed among others: (a) € 5.5 billion out of the total amount of the € 15.0 billion last tranche 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) and (b) the Enhanced Surveillance procedures after the end of the program. At the same time, in 2018, Moody's, S&P and Fitch have gradually upgraded the Greek sovereign rating on B3, B+ and BB- respectively, with positive Outlook (only Fitch kept outlook stable).

In 2018, the Greek economy still maintains its macroeconomic momentum and a steady improvement in the economic sentiment. In the first nine months of 2018 the economic sentiment indicator (ESI) improved to 103.1 points, moving on an upward trend at levels higher than those of the last decade. Based on seasonal adjusted data, real Gross Domestic Product "GDP" is on a growth track for 6 quarters in a row and in Q2 2018 increased by 1.8% and by 0.2% on an annual and quarterly basis, respectively. Sustaining the growth momentum of 2017 (a growth of 1.5%) and achieving a 2.2% growth in H1 2018, the growth prospects of the economy are enhanced. Moreover, in Q2 2018 based on non-seasonally adjusted data, the unemployment rate fell to 19.0% against 21.1% in Q2 2017, leading to an 20.1% unemployment rate in H1 2018, with an 1.8% increase in employment on an annual basis. Furthermore, during the period January-September 2018, the tourism sector is still on a positive momentum, as travel receipts increased by 9.1% and inbound traveler flows by 10.3% 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-September 2018 presented a surplus of € 0.3 billion against the target of a € 1.8 billion deficit, while budget primary balance amounted to a surplus of € 4.8 billion. According to the State Budget Draft 2019, which is now under the Enhanced Surveillance definition, the general government primary surplus for 2018 is estimated at 3.74% of GDP (€ 6.9 billion), exceeding the 3.5% target that has been set.

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 risk factor. To this end, adverse developments regarding the implementation of the country's annual budget 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) and on the Bank's capital adequacy (i.e. impact on the quality of its loan portfolio). Piraeus Bank's Management closely monitors the developments and assesses periodically the impact that this might have on its operations and financial performance.

Liquidity

During the first nine months of 2018, domestic market deposits (private and public sector,) increased by 7.0% to € 147.5 billion. The exposure of all Greek banks in the Eurosystem was substantially reduced from € 33.7 billion as at 31 December 2017 to € 12.2 billion as at 30 September 2018, of which € 3.6 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 € 8.7 billion from ECB's Main Refinancing Operations and ECB's Targeted Longer-Term Refinancing Operations II ("TLTRO II").

During the first nine months of 2018, Piraeus Bank Group's exposure to the Eurosystem significantly reduced by € 7.7 billion to € 2.0 billion as at 30 September 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 eliminated during July 2018 and remained nil as at 30 September 2018, versus € 5.7 billion as at 31 December 2017. In the first nine months of 2018, the Bank's ECB refinancing (through Targeted Long Term Refinancing Operations – TLTRO II and main refinancing operations – MRO) was reduced by € 2.0 billion, and amounted to € 2.0 billion as at 30 September 2018 versus € 4.0 billion as at 31 December 2017. Following the assignment on 31 August 2018 of an investment grade credit rating to Piraeus Bank's € 10 billion Global Covered Bonds Program – under which there are currently five outstanding series worth € 4.5 billion – these can be accepted as collateral to ECB's main refinancing operations.

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 bond exchange scheme, 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.

On 27 June 2018, Piraeus Bank returned € 3.0 billion of TLTRO II to ECB, exercising its early repayment option. It should be reminded, that Greek banks participated in the TLTRO, getting the benefit associated with the TLTRO II program 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.

Capital adequacy

The Group's pro-forma Basel III total capital adequacy ratio as at 30 September 2018 stood at 14.18%, as did the Group's 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 the subsidiary Financial Institutions in Albania and Bulgaria, three non-performing loan portfolios and an equity holding, as these transactions had not been concluded by 30 September 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 stands at 13.73% a level that surpasses the Overall Capital Requirement (“OCR”) ratio of 13.625% set by SSM through the Supervisory Review and Evaluation Process (“SREP”).

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 requirements 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: Recognition and Measurement”. 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 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 Total Equity by € 1,968.9 million.

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 impact, 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 Report 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).

IFRS 15 established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 replaces the revenue recognition guidance included in IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations. IFRS 15 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

Under IFRS 15, a revenue is recognized when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. 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

The below amendment, interpretations and improvements do not significantly affect the Group's Interim Financial Information.

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.

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. However, the Group does not apply hedge accounting.

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 loan 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 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 meaning 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 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 Consolidated 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 is analyzed as follows:

€ million	Group 1 Jan 2018
A decrease from additional impairment allowances – continuing operations	1,911.7
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
Deferred tax asset	(0.6)
Net effect of IFRS 9 FTA Impact on Total Equity	**1,941.8**
ECL impact of AFS bond portfolio measured at FVTOCI	27.1
Total IFRS 9 FTA Impact	**1,968.9**

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.

Management finalized the IFRS 9 FTA impact assessment as at June 2018. In this respect the initially estimated IFRS 9 FTA impact as of 1 January 2018 amounting to € 1,620.7 million increased to € 1,968.9 million as a result of the two items set out below:

a) Conclusion of IFRS9 ECL measurement of loans and advances to customers, 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.

Group IFRS 9 Transition Impact as at 01.01.2018	
€ million	
Initially estimated IFRS 9 FTA impact as published as at 31 December 2017	1,620.7
Deferred tax asset and other adjustments incorporated in Q1 2018	(0.8)
Amended IFRS 9 FTA impact as published as at 31 March 2018	1,619.9
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
Increase due to IFRS 9 FTA impact on financial instruments included within Other Assets	33.8
Amended IFRS 9 FTA impact as of 30 September 2018	**1,968.9**

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.

The IFRS9 FTA impact, resulted in a 52 bps decrease in the Common Equity Tier 1 ratio, applying the EU regulatory transitional arrangements, and a 452 bps 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 financial assets 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 were "Subject-Matter Experts" very early in the stage of the IFRS 9 Program 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 additional internal controls and processes where required in areas that were impacted by the adoption of 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 Risk 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 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)

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

	Statement of Financial Position
1	Reclassification from Debt securities – receivables of €23,109 thousand to Financial assets at FVTPL.
2	Reclassification from Derivative financial instruments – assets of €4,515 thousand to Financial assets at FVTPL
3	Reclassification from Financial assets at FVTPL of € 35 thousand to Derivative financial instruments – assets.
4	Reclassification from Available for sales securities (equity securities) of €110,859 thousand to financial assets mandatorily at FVTPL.
5	Reclassification from Available for sales securities of €21,979 thousand to Derivatives financial instruments – assets.
6	Reclassification from Loans and advances to customers at amortized cost of €117,874 thousand to Loans and advances to customers mandatorily at FVTPL.
7	Reclassification from Derivative financial instruments – assets of €5,477 thousand to Loans and advances to customers mandatorily at FVTPL.
8	Reclassification from Available for sales securities (debt securities) of €1,902,230 thousand to Financial assets at FVTOCI.
9	Reclassification from Available for sales securities (equity securities) of €168,735 thousand to Financial assets at FVTOCI.
10	Reclassification from Available for sales securities reserve of €12,570 thousand loss 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:

	IAS 39 measurement	IAS 39 carrying amount 31/12/2017	Reclassifi cations	Remeasure ments	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	-	-	1,449,240
Remeasurement (ECL allowance)		-	-	(50)	(50)
Opening balance 1/1/2018					**1,449,190**
Loans and advances to credit institutions	Amortised Cost				
Closing balance 31/12/2017		2,147,758	-	-	2,147,758
Remeasurement (ECL allowance)		-	-	(9)	(9)
Opening balance 1/1/2018					**2,147,750**
Loans and advances to customers (net)	Amortised Cost				
Closing balance 31/12/2017		44,719,530	-	-	44,719,530
Reclassification to financial assets at FVTPL		-	(117,874)	-	(117,874)
Remeasurement (ECL allowance)		-	-	(1,724,018)	(1,724,018)
Opening balance 1/1/2018					**42,877,639**
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**

Amounts in thousand euros (Unless otherwise stated)

	IAS 39 measurement	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	-	-	90,253
Remeasurement (ECL allowance)		-	-	(158)	(158)
Opening balance 1/1/2018					**90,095**
Other Financial Instruments within Other Assets	Amortised Cost				
Closing balance 31/12/2017		553,553	-	-	553,553
Remeasurement (ECL allowance)		-	-	(33,808)	(33,808)
Opening balance 1/1/2018					**519,745**
Total financial assets measured at amortised cost under IFRS 9		**48,983,444**	**(140,983)**	**(1,758,042)**	**47,084,419**

	IAS 39 measurement	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**
Equity securities	Fair value through PL				
Closing balance 31/12/2017		23,579	-	-	23,579
Reclassification from Investment Securities (Equity securities available for sale)		-	110,859	-	110,859
Opening balance 1/1/2018					**134,439**

Amounts in thousand euros (Unless otherwise stated)

	IAS 39 measurement	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	-	-	459,993
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**
Loans and advances to customers					
Closing balance 31/12/2017		-	-	-	-
Reclassification from Loans and advances to customers at amortised cost (net)		-	117,874	-	117,874
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**
Total financial assets measured at FVTPL under IFRS 9		**1,959,817**	**273,821**	**(25,283)**	**2,208,355**

Amounts in thousand euros (Unless otherwise stated)

	IAS 39 measurement	IAS 39 carrying amount 31/12/2017	Reclassifi cations	Remeasure ments	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	-	-	2,203,803
Reclassification to: Financial assets at FVTOCI (debt securities)		-	(1,902,230)	-	(1,902,230)
Reclassification to: Financial assets at FVTOCI (equity securities)		-	(168,734)	-	(168,734)
Reclassification to: Financial assets at FVTPL		-	(110,859)	-	(110,859)
Reclassification to Derivative financial instruments - assets		-	(21,979)	-	(21,979)
Opening balance 1/1/2018					**0**
Financial assets at FVTOCI (debt securities)					
Closing balance 31/12/2017		-	-	-	-
Reclassification from Available for sale		-	1,902,230	-	1,902,230
Opening balance 1/1/2018					**1,902,230**
Financial assets at FVTOCI (equity securities)					
Closing balance 31/12/2017		-	-	-	-
Reclassification from Available for sale		-	168,734	-	168,734
Opening balance 1/1/2018					**168,734**
Total financial assets measured at FVTOCI under IFRS 9		**2,203,803**	**(132,838)**	**0**	**2,070,965**

The Financial assets at FVTOCI debt securities are Stage 1 and the ECL impact amounted to € 27.1 million 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:

	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
Cash and balances with Central Banks	Amortised Cost	Amortised Cost	-	(50)	(50)
Loans and advances to credit institutions	Amortised Cost	Amortised Cost	-	(9)	(9)
Loans and advances to customers	Amortised Cost	Amortised Cost	(15,378,357)	(1,724,018)	(17,102,374)
Debt securities- receivables	Amortised Cost	Amortised Cost	-	-	-
Reverse repos with customers	Amortised Cost	Amortised Cost	-	(158)	(158)
Other Financial Instruments within Other Assets	Amortised Cost	Amortised Cost	(64,057)	(33,808)	(97,865)
Investment securities (debt securities)	Fair value through AFS Reserve	FVTOCI	-	(27,111)	(27,111)
Total			**(15,442,414)**	**(1,785,153)**	**(17,227,566)**
Loan commitments	Off Balance sheet	Off Balance sheet	-	(137,020)	**(137,020)**
Financial guarantees	Off Balance sheet	Off Balance sheet	-	(16,673)	**(16,673)**
Total			**0**	**(153,694)**	**(153,694)**

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
AFS Reserve	
Closing balance under IAS 39 (31 December 2017)	79,467
Reclassifications to Reserve from financial assets at FVTOCI (debt securities)	(84,771)
Reclassifications to Reserve from financial assets at FVTOCI (equity securities)	(7,265)
Transfer to Retained Earnings	12,570
Opening balance under IFRS 9 (1 January 2018)	**0**
Reserve from financial assets at FVTOCI (debt securities)	
Reclassifications from AFS Reserve	84,771
Recognition of expected credit losses under IFRS 9	27,111
Opening balance under IFRS 9 (1 January 2018)	**111,881**
Reserve from financial assets at FVTOCI (equity securities)	
Reclassifications from AFS Reserve	7,265
Opening balance under IFRS 9 (1 January 2018)	**7,265**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	(8,326,871)
Transfer from AFS Reserve	(12,570)
Remeasurements due to Reclassifications	(25,283)
Recognition of expected credit losses under IFRS 9	(1,944,252)
Deferred tax	646
Opening balance under IFRS 9 (1 January 2018)	**(10,308,330)**

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.

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:

	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)**

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. The key sources of estimation uncertainty were similar to those applied to the Annual Consolidated Financial Statements as at and for the year ended 31 December 2017. The adoption of IFRS 9 on 1 January 2018 required application of significant judgement and resulted to additional critical accounting estimates, which are set out below. 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 Measurement uncertainty in determination of ECL estimates.

The ECL measurement requires Management to apply a degree of judgment when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in changes to the timing and amount of allowance for credit loss to be recognized.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk
IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Group assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes a degree of management judgment.

Determination of scenarios, scenario weights and macroeconomic factors
To achieve the objective of measuring ECL, the Group evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have an effect on the ECL amount.

Development of ECL models, including the various formulas, choice of inputs and interdependencies
For the purposes of ECL measurement the Group performs the necessary model parameterization based on observed point-in-time data. The ECL calculations are based on input parameters, i.e. Exposure at default (EAD), Probability of default (PDs), Loss Given Default (LGDs), Credit Conversion Factor (CCFs), etc. incorporating management's view of the future. The Group also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect

on risk parameters. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Group re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures.

Modeling and Management overlays / adjustments

A number of complex models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models are governed by the Group's Model Management and Governance Framework.

Independent Validation Unit

The Bank, acknowledging the need to independently validate the credit risk models used in the ECL measurement, has decided to delegate their validation to competent resources within Group Risk Management division, which is independent of the model development process. The Model Validation Unit (MVU) reports directly to the Chief Risk Officer (CRO). The Bank has developed and implemented, within 2018, a Model Validation Framework (MVF), consisting of Policy, Methodologies and technical specifications, regarding the credit risk models and in particular the IFRS9 models (PD, LGD and EAD models as well as SICR criteria).

The Unit performs both initial (for new credit risk models) and periodic (for existing ones) model validations, applying qualitative (indicatively for model inputs, design and methodologies) and quantitative assessments (indicatively model discriminatory power, accuracy and stability) applying the aforementioned framework.

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 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.

4.4 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.

4.5 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.

4.6 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.

4.7 Fair value of investment property

Investment property is measured annually at fair value, which is determined by 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.

Amounts in thousand euros (Unless otherwise stated)

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

	Group	
	30/9/2018	**31/12/2017**
Derivative financial instruments - assets	263,384	284,395
Bonds and treasury bills at fair value through profit or loss	306,715	8,006
Loans to Public sector	105,258	1,729,089
Bonds, treasury bills and other variable income securities of available for sale portfolio	-	1,701,181
Bonds, treasury bills and other variable income securities at FVTOCI	1,908,432	-
Other assets	523,684	508,045
Total	**3,107,472**	**4,230,716**

The movement in Loans to Public sector of € 1.6 billion 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 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.

Assets	Carrying Value		Fair Value	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Loans and advances to credit institutions	1,008,961	2,147,758	1,008,961	2,147,773
Loans and advances to customers at amortised cost	38,870,401	44,719,530	38,241,251	43,860,463
Debt securities at amortised cost	83,678	23,109	83,593	22,586
Reverse repos with customers	264,225	90,253	264,225	90,254

Liabilities	Carrying Value		Fair Value	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Due to credit institutions	4,720,132	11,435,086	4,720,132	11,435,086
Due to customers	42,886,383	42,715,252	42,886,383	42,715,252
Debt securities in issue	529,802	435,277	519,439	407,930
Obligations under finance leases	69,980	72,542	69,980	72,542

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

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

The fair value of 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:

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

Level 2
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes OTC derivatives, bonds and shares. Input parameters are based on yield curves or data which are observable and are not included in Level 1.

Level 3
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 and 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, 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.

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.

Amounts in thousand euros (Unless otherwise stated)

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:

Assets & Liabilities measured at fair value as at 30/9/2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments - assets	-	355,332	7,875	**363,206**
Financial instruments at FVTPL	444,262	-	-	**444,262**
- Bonds	174,655	-	-	**174,655**
- Treasury bills	257,554	-	-	**257,554**
- Shares & other variable income securities	12,054	-	-	**12,054**
Financial assets mandatorily at FVTPL	61,371	-	55,170	**116,542**
- Bonds	-	-	16,886	**16,886**
- Shares & other variable income securities	61,371	-	38,284	**99,656**
Loans and advances to customers mandatorily at FVTPL	-	-	86,025	**86,025**
Financial assets at FVTOCI	2,053,920	58,456	138,617	**2,250,993**
- Bonds	2,004,752	-	-	**2,004,752**
- Shares & other variable income securities	49,168	58,456	138,617	**246,241**
Liabilities				
Derivative financial instruments - liabilities	-	381,608	-	**381,608**
Liabilities at FVTPL	50,233	-	-	**50,233**

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**

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

For assets and liabilities valued at fair value on 30/9/2018 and 31/12/2017, no transfer from Level 1 to Level 2 and vice versa occurred during 2017 and in the period 1/1 - 30/9/2018.

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 30/9/2018 and 31/12/2017:

Reconciliation of Level 3 items (for the period 1/1-30/9/2018)	**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**	**4,468**	**24,941**
Profit/ (loss) for the period	(1,802)	(11,600)	(223)	3,406	(24,941)
- Unrealized	(2,749)	(11,600)	-	3,406	(24,941)
- Realized	947	-	(223)	-	-
Other comprehensive income	-	-	(7,251)	-	-
Purchases	-	-	31,522	-	-
Disposals/ Settlements	(254)	-	(167)	-	-
Transfer to other assets	(5,317)	-	-	-	-
Transfer to discontinued operations	-	-	(1,010)	-	-
Transfer from loans and advances to customers at amortised cost	-	276	-	-	-
Transfer to Held for sale	-	(9,662)	-	-	-
Closing balance 30/9/2018	**55,170**	**86,025**	**138,617**	**7,874**	**0**

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)

The following tables present the sensitivity analysis of Level 3 financial assets at FVTPL, FVTOCI and derivative financial instruments - assets/liabilities:

Sensitivity analysis of Level 3 hierarchy:	**30/9/2018**	
	Favourable changes	**Unfavourable changes**
Income Statement		
Derivative financial instruments - assets	1,345	87
Financial assets mandatorily at FVTPL	29,648	(8)
Loans and advances to customers mandatorily at FVTPL	222	(151)
Derivative financial instruments - liabilities	-	-
Equity Statement		
Financial assets at fair value through other comprehensive income	13,536	(9,855)

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

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 30/9/2018, for derivatives financial instruments – asset will range between +17% in the scenarios of favorable changes and +1% in the scenarios of unfavorable changes.

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 as included in Note 13 have been reduced by the fair value adjustment, in the context of the purchase price allocation exercise of the operations acquired in the period 2012 to 2015. Specifically, the remaining allowance for impairment on loans and advances to customers of the Group amounting to € 4.2 billion as at 30/9/2018 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 Piraeus Bank amounted to € 8.1 billion for the Group, has increased the gross balance of loans and advances to customers and the allowance for impairment on loans and advances to customers 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:

	30/9/2018				
	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	5,995,552	2,352,979	3,446,840	2,831,726	14,627,097
Less: Allowance for impairment losses on loans and advances to customers	(7,031)	(133,625)	(981,983)	(796,618)	(1,919,256)
Total Mortgages	**5,988,521**	**2,219,354**	**2,464,857**	**2,035,108**	**12,707,840**
Consumer/personal and other loans					
Gross carrying amount	879,390	540,689	1,249,217	1,240,081	3,909,377
Less: Allowance for impairment losses on loans and advances to customers	(22,077)	(101,531)	(793,970)	(783,972)	(1,701,551)
Total Consumer / personal and other loans	**857,313**	**439,159**	**455,246**	**456,109**	**2,207,826**
Credit cards					
Gross carrying amount	505,246	111,539	256,703	145,251	1,018,740
Less: Allowance for impairment losses on loans and advances to customers	(2,857)	(8,561)	(207,234)	(124,069)	(342,721)
Total Credit cards	**502,390**	**102,978**	**49,469**	**21,182**	**676,018**
Total Loans to individuals					
Gross carrying amount	7,380,188	3,005,207	4,952,760	4,217,058	19,555,213
Less: Allowance for impairment losses on loans and advances to customers	(31,965)	(243,717)	(1,983,187)	(1,704,660)	(3,963,528)
Total Loans to individuals	**7,348,223**	**2,761,490**	**2,969,573**	**2,512,399**	**15,591,685**
Loans to corporate entities and public sector					
Gross carrying amount	11,006,315	2,877,657	14,827,061	4,521,567	33,232,600
Less: Allowance for impairment losses on loans and advances to customers	(119,300)	(233,688)	(7,109,124)	(2,491,772)	(9,953,884)
Total Loans to corporate entities and public sector	**10,887,015**	**2,643,969**	**7,717,937**	**2,029,795**	**23,278,715**
Total loans and advances to customers					
Gross carrying amount	18,386,503	5,882,864	19,779,821	8,738,626	52,787,813
Less: Allowance for impairment losses on loans and advances to customers	(151,265)	(477,404)	(9,092,311)	(4,196,432)	(13,917,412)
Total Loans and advances to customers	**18,235,238**	**5,405,459**	**10,687,510**	**4,542,194**	**38,870,401**

Amounts in thousand euros (Unless otherwise stated)

	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**

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:

	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
Transfer of allowance of loans and advances to customers mandatorily at FVTPL	(162,148)
IFRS 9 FTA impact	1,724,018
Opening balance 1/1/2018 with IFRS 9	**17,102,377**

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:

	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)	69,494	(196,545)	127,051	-	0
Profit/ (loss) due to changes in credit risk	(62,651)	(111,351)	494,358	74,082	394,439
Write-offs	(254)	(2,243)	(1,357,972)	(691,957)	(2,052,426)
Write-off of accrued interest relating to ITG Approach A for Stage 3 loans	-	-	(454,333)	(249,057)	(703,389)
Change in the present value of the impairment allowance	271	-	336,259	217,476	554,006
Transfers to held for sale porfolio	(1)	-	(837,819)	(534,589)	(1,372,410)
Foreign exchange differences and other movements	(3,338)	(921)	74,399	8,737	78,877
Balance at 30/9/2018	**151,265**	**477,404**	**9,092,311**	**4,196,432**	**13,917,412**

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 provision of IFRS 9, 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 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 ITG Approach A for Stage 3 loans” refers to the aforementioned adjustment carried out.

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.

	Allowance for impairment losses on financial assets at fair value through other comprehensive income				
	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	26,656	-	-	-	26,656
Transfers between Stages (net)	-	-	-	-	0
Profit/ (loss) due to changes in credit risk	(6,783)	537	-	-	(6,246)
Disposals	(4,694)	-	-	-	(4,694)
Balance at 30/9/2018	**15,180**	**537**	**0**	**0**	**15,716**

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. 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. Therefore, 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.

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)

1/1-30/9/2018	Core					PLU	Group
	Retail Banking	Corporate Banking	PFM	Other	Total		
Net interest income	423,477	344,726	68,446	(4,690)	831,960	213,394	**1,045,354**
Net fee and commission income	132,212	99,409	(49)	36,743	268,315	9,911	**278,226**
Other income/ (expenses)	2,778	1,222	41,376	33,004	78,381	9,567	**87,947**
Total Net Income	**558,467**	**445,357**	**109,774**	**65,058**	**1,178,656**	**232,871**	**1,411,527**
Operating expenses	(365,584)	(114,626)	(17,102)	(233,379)	(730,691)	(167,729)	**(898,421)**
Profit/ (loss) before provisions, impairment and income tax	**192,884**	**330,731**	**92,671**	**(168,321)**	**447,965**	**65,142**	**513,107**
Impairment losses on loans and advances to customers	(24,615)	(30,284)	95	(19,418)	(74,222)	(320,217)	**(394,439)**
Impairment losses on other assets	-	-	-	(11,256)	(11,256)	(10,363)	**(21,619)**
Impairment (losses)/ releases on financial assets at fair value through other comprehensive income	-	-	-	6,246	6,246	-	**6,246**
Impairment on participations	-	-	-	(497)	(497)	(49,298)	**(49,795)**
Other impairment losses	-	-	-	(7,236)	(7,236)	63	**(7,173)**
Other provision releases/ (charges)	-	-	-	15,718	15,718	(3,002)	**12,716**
Share of profit/ (loss) of associates and joint ventures	-	-	-	(13,386)	(13,386)	(28)	**(13,414)**
Profit/ (loss) before tax	**168,269**	**300,447**	**92,767**	**(198,151)**	**363,332**	**(317,703)**	**45,629**
Income tax benefit/ (expense)							(10,139)
Profit/ (loss) for the period from continuing operations							**35,490**
Profit/ (loss) after income tax from discontinued operations	-	-	-	-	-	(339,378)	(339,378)
Profit/ (loss) for the period							**(303,889)**
As at 30 September 2018							
Total assets from continuing operations (excluding assets held for sale)	10,267,909	13,469,921	4,098,584	9,829,823	37,666,236	19,265,132	**56,931,369**
Total assets from discontinued operations	-	-	-	-	-	1,852,159	**1,852,159**
Assets held for sale	190	16	-	-	205	480,665	**480,870**
Total assets	10,268,098	13,469,936	4,098,584	9,829,823	37,666,442	21,597,957	**59,264,398**
Total liabilities	32,463,533	6,834,627	8,231,033	1,539,183	49,068,376	2,795,510	**51,863,886**

Amounts in thousand euros (Unless otherwise stated)

1/1-30/9/2017	Core					PLU	Group
	Retail Banking	Corporate Banking	PFM	Other	Total		
Net interest income	443,983	398,091	129,915	(50,361)	921,627	322,016	**1,243,644**
Net fee and commission income	114,379	100,343	2,120	46,205	263,046	6,093	**269,139**
Other income/ (expenses)	2,332	753	84,883	(2,177)	85,791	103,277	**189,068**
Net Income	**560,694**	**499,187**	**216,918**	**(6,334)**	**1,270,465**	**431,387**	**1,701,851**
Operating expenses	(391,631)	(145,607)	(21,419)	(60,218)	(618,875)	(170,491)	**(789,367)**
Profit/ (loss) before provisions, impairment and income tax	**169,063**	**353,580**	**195,498**	**(66,552)**	**651,589**	**260,895**	**912,485**
Impairment losses on loans and advances to customers	36,418	(218,043)	(17)	3,734	(177,909)	(654,081)	**(831,990)**
Impairment losses on other assets	-	-	-	(12,077)	(12,077)	(9,041)	**(21,118)**
Impairment on participations	-	-	-	34,008	34,008	(34,010)	**(2)**
Other impairment losses	-	-	-	(2,859)	(2,859)	(68,310)	**(71,169)**
Other provision releases/ (charges)	-	-	-	(8,852)	(8,852)	(47)	**(8,898)**
Share of profit/ (loss) of associates and joint ventures	-	-	-	(22,839)	(22,839)	157	**(22,682)**
Profit/ (loss) before tax	**205,481**	**135,536**	**195,482**	**(75,437)**	**461,062**	**(504,436)**	**(43,374)**
Income tax benefit/ (expense)							25,771
Profit/ (loss) for the period from continuing operations							**(17,603)**
Results after income tax from discontinued operations	-	-	-	-	-	(72,539)	(72,539)
Profit/ (loss) for the period							**(90,142)**
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 assets	11,231,811	15,509,655	6,058,317	9,707,904	42,507,687	24,908,876	**67,416,562**
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 income from interest and commissions

a) Net interest income

	1/1-30/9/2018	1/1-30/9/2017
Total interest income from financial instruments that are not designated at FVTPL	**1,344,103**	**1,613,884**
Interest income - Financial instruments that are measured at FVTPL	9,109	6,153
Interest income - Derivative financial instruments	57,798	59,201
Total Interest income	**1,411,010**	**1,679,238**
Total Interest Expense	**(365,657)**	**(435,594)**
Net Interest Income	**1,045,354**	**1,243,644**

Net interest income for the period 1/1-30/9/2018 amounted to € 1,045.4 million for the Group and is decreased in relation to the comparative period 1/1-30/9/2017 (€ 1,243.6 million), mainly as a result of lower interest bearing balances in Stage 3 due to increased impairment charges made mainly in Q4 2017 as well as due to the IFRS 9 FTA impact 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).

b) Net commission income

Included in line "Net fee and commission income" is an amount of € 48.0 million relating to an extraordinary quality commission received for past performance for general insurance business in cooperation of the Group with its international partner.

8 Staff costs

The increase of staff costs from € 392.7 million for the period 1/1 - 30/9/2017 to € 501.9 million for the period 1/1 - 30/9/2018 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 of the "Agenda 2020" strategic plan, through cost efficiency measures with a total cost of € 135.7 million for the Group.

9 Assets from discontinued operations of the Group

Since Q2 2018, the Group's subsidiary Piraeus Bank Bulgaria A.D. ("PBB") is 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 fair value of the subsidiary prior to its classification in the discontinued operations was based on the participation's impairment policy of the Group. On 7 November 2018, Piraeus Bank announced that it has entered into an agreement with Eurobank Ergasias SA for the disposal of its shareholding stake (99.98%) in its banking subsidiary in Bulgaria, PBB, to Eurobank Bulgaria AD.

The transaction represents the final major milestone towards the implementation of Piraeus Bank’s Restructuring Plan commitments, as those were agreed with the Directorate General of Competition of the European Commission. The transaction is subject to customary conditions, including approvals of the National Bank of Bulgaria and the HFSF. The consideration amounts to € 75.0 million. The transaction is expected to be completed by 31 March 2019.

Since Q2 2018, the Group's subsidiary in Albania, Tirana Bank I.B.C. S.A. is 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 fair value of the subsidiary prior to its classification in the discontinued operations was based on the participation's impairment policy of the Group. On 7 August 2018, Piraeus Bank announced that it has entered into an agreement with the Balfin Group and the Komercijalna Banka, for the disposal of its shares in 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. 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 National Bank of Romania and the Romania Competition Authority, as well as the HFSF. 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. 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 National Bank of Serbia and the Serbian Competition Authority, as well as the HFSF.

Since Q1 2017, the Group's subsidiary IMITHEA S.A. owner and operator of the Henry Dunant Hospital Center, is 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 fair value of the subsidiary prior to its classification in the discontinued operations was based on the participation's impairment policy of the Group. In early August 2018, Piraeus Bank announced the completion of the first stage for the disposal of its 100% subsidiary IMITHEA S.A., following the receipt of non-binding offers by investors. The Bank assessed the non binding offers received in cooperation with its external advisor and proceeded to the second stage of the process.

Amounts in thousand euros (Unless otherwise stated)

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

Profit/ (loss) after income tax from discontinued operations for the period 1/1 - 30/9/2018 includes the results of IMITHEA S.A., Tirana Bank I.B.C. S.A. and Piraeus Bank Bulgaria A.D. for the period 1/1 - 30/9/2018, 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 15 March 2018), Piraeus Leasing Doo Beograd results for the period 1-23/4/2018 (until the day of its disposal on 23 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 3 April 2018). However, this would have an immaterial effect on the Consolidated Interim Income Statement, according to the Bank's estimates. Profit/ (loss) after income tax from discontinued operations for the period 1/1-30/9/2017 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.

	1/1-30/9/2018	1/1-30/9/2017
Net interest income	57,744	72,671
Net fee and commission income	18,886	20,958
Dividend income	194	392
Net income from financial instruments measured at fair value through profit or loss	(2,977)	1,963
Recycling of the accumulated reserve from financial assets at FVTOCI	304	-
Results from investment securities	-	1,482
Results from the disposal of participation of subsidiaries and associates	(156,133)	-
Other income/ (expenses)	30,012	57,722
Total net income	**(51,970)**	**155,190**
Staff costs	(53,086)	(68,345)
Administrative expenses	(43,941)	(60,610)
Depreciation and amortisation	(9,463)	(12,162)
Gains/ (losses) from sale of owned assets	31	126
Total operating expenses before provisions	**(106,458)**	**(140,991)**
Provisions and impairment losses	(185,790)	(80,042)
Profit/ (loss) before income tax	**(344,218)**	**(65,844)**
Income tax	4,840	(6,695)
Profit/ (loss) after income tax from discontinued operations	**(339,378)**	**(72,539)**

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 Consolidated Interim 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 - 30/9/2018 with an impairment of the value of discontinued operations by € 179.2 million. The aforementioned amount is included in line “Provisions and impairment losses” in the above table.

Amounts in thousand euros (Unless otherwise stated)

B) Assets and liabilities

The following assets and liabilities as at 30/9/2018 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.

	30 September 2018	31 December 2017
ASSETS		
Cash and balances with Central Banks	307,163	284,113
Loans and advances to credit institutions	265,968	66,347
Financial assets at fair value through profit or loss	-	76,623
Derivative financial instruments - assets	32	688
Reverse repos with customers	1,222	-
Loans and advances to customers at amortised cost	978,680	1,078,720
Financial assets at fair value through other comprehensive income	194,482	-
Available for sale securities	-	252,888
Assets held for sale	-	2,002
Investment property	930	6,629
Property and equipment	82,465	391,335
Intangible assets	447	9,496
Deferred tax assets	5,463	3,528
Other assets	15,307	111,175
Total Assets	**1,852,159**	**2,283,542**

	30 September 2018	31 December 2017
LIABILITIES		
Due to credit institutions	51,863	153,762
Due to customers	1,715,491	1,174,998
Derivative financial instruments - liabilities	-	499
Deferred tax liabilities	-	6,470
Current income tax liabilities	-	2,180
Retirement benefit obligations	6,397	6,306
Other provisions	51,853	213,805
Other liabilities	25,929	82,835
Total Liabilities	**1,851,533**	**1,640,856**

10 Income tax benefit/ (expense)

	1/1-30/9/2018	1/1-30/9/2017
Current tax	(9,899)	(10,475)
Deferred tax	(131)	35,651
Provisions for tax differences	(109)	594
Total	**(10,139)**	**25,771**

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.

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 amortization 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 30/9/2018, the deferred tax assets of the Group meeting the provisions of the above mentioned Law, amount to € 3,971.6 million, of which € 1,284.3 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.

Amounts in thousand euros (Unless otherwise stated)

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 September 2018 amounts to € 5.2 million, and has been included in the Consolidated Interim 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%.

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.

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.

The effect of CoCo's in the EPS calculation is dilutive hence the weighted average number of ordinary shares outstanding for diluted EPS has been adjusted.

Basic earnings/ (losses) per share from continuing operations	1/1-30/9/2018	1/1-30/9/2017	1/7-30/9/2018	1/7-30/9/2017
Profit/ (loss) attributable to ordinary shareholders of the parent entity from continuing activities	39,749	(15,149)	94,264	(18,177)
Weighted average number of ordinary shares in issue	436,416,759	436,477,796	436,320,750	436,511,292
Basic earnings/ (losses) per share (in €) from continuing operations	0.0911	(0.0347)	0.2160	(0.0416)

Diluted earnings/ (losses) per share from continuing operations	1/1-30/9/2018	1/1-30/9/2017	1/7-30/9/2018	1/7-30/9/2017
Profit/ (loss) attributable to ordinary shareholders of the parent entity from continuing activities	39,749	(15,149)	94,264	(18,177)
Weighted average number of ordinary shares in issue	436,416,759	436,477,796	436,320,750	436,511,292
Potential dilutive ordinary shares from Contingent Convertible Bonds (CoCos)	394,400,000	394,400,000	394,400,000	394,400,000
Weighted average number of ordinary shares for diluted earnings/ (losses) per share	830,816,759	830,877,796	830,720,750	830,911,292
Diluted earnings/ (losses) per share (in €) from continuing operations	0.0478	(0.0182)	0.1135	(0.0219)

Amounts in thousand euros (Unless otherwise stated)

Basic earnings/ (losses) per share from discontinued operations	1/1-30/9/2018	1/1-30/9/2017	1/7-30/9/2018	1/7-30/9/2017
Profit/ (loss) attributable to ordinary shareholders of the parent entity from discontinued activities	(338,660)	(72,767)	(26,736)	5,226
Weighted average number of ordinary shares in issue	436,416,759	436,477,796	436,320,750	436,511,292
Basic earnings/ (losses) per share (in €) from discontinued operations	(0.7760)	(0.1667)	(0.0613)	0.0120

Diluted earnings/ (losses) per share from discontinued operations	1/1-30/9/2018	1/1-30/9/2017	1/7-30/9/2018	1/7-30/9/2017
Profit/ (loss) attributable to ordinary shareholders of the parent entity from discontinued activities	(338,660)	(72,767)	(26,736)	5,226
Weighted average number of ordinary shares in issue	436,416,759	436,477,796	436,320,750	436,511,292
Potential dilutive ordinary shares from Contingent Convertible Bonds (CoCos)	394,400,000	394,400,000	394,400,000	394,400,000
Weighted average number of ordinary shares for diluted earnings/ (losses) per share	830,816,759	830,877,796	830,720,750	830,911,292
Diluted earnings/ (losses) per share (in €) from discontinued operations	(0.4076)	(0.0876)	(0.0322)	0.0063

"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

Other comprehensive income, net of tax from continuing and discontinued operations for the period 1/1 – 30/9/2018 amounted to € 119.5 million (1/1 – 30/9/2017: € 30.9 million).

A. Continuing operations

1/1-30/9/2018	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	(40,857)	8,667	(32,191)
Change in currency translation reserve	1,943	-	1,943
Items that will not be reclassified to profit or loss			
Change in reserve from financial assets at fair value through other comprehensive income	6,662	(1,953)	4,709
Change in reserve of defined benefit obligations	(120)	(90)	(210)
Other comprehensive income from continuing operations	**(32,372)**	**6,624**	**(25,748)**

1/1-30/9/2017	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	48,498	(13,987)	34,511
Change in currency translation reserve	(6,764)	-	(6,764)
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	25	(9)	16
Other comprehensive income from continuing operations	**41,760**	**(13,997)**	**27,763**

Amounts in thousand euros (Unless otherwise stated)

B. Discontinued operations

1/1-30/9/2018	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	260	-	260
Change in currency translation reserve	144,571	-	144,571
Items that will not be reclassified to profit or loss			
Change in reserve from financial assets at fair value through other comprehensive income	462	-	462
Change in reserve of defined benefit obligations	(54)	-	(54)
Other comprehensive income from discontinued operations	**145,239**	**0**	**145,239**

The line “Change in currency translation reserve” of the above table includes the transfer of loss of € 139.1 million to the Consolidated Interim Income Statement. Relevant information is provided in Note 9.

1/1-30/9/2017	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	358	6	364
Change in currency translation reserve	2,772	-	2,772
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	-	-	-
Other comprehensive income from discontinued operations	**3,130**	**6**	**3,136**

Amounts in thousand euros (Unless otherwise stated)

13 Loans and advances to customers

	30 September 2018	31 December 2017
Loans and advances to customers at amortised cost	38,870,401	44,719,530
Loans and advances to customers mandatorily at FVTPL	86,025	-
Total loans and advances to customers	**38,956,425**	**44,719,530**

	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)**	**42,877,639**

13.1 Loans and advances to customers at amortised cost

	30/9/2018				
	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
Mortgages	5,959,921	2,316,777	3,401,371	2,574,726	14,252,795
Consumer/ personal and other loans	860,717	500,590	1,181,934	618,305	3,161,546
Credit cards	499,390	111,026	245,831	35,123	891,369
Total loans to individuals	**7,320,028**	**2,928,393**	**4,829,136**	**3,228,154**	**18,305,710**
Loans to corporate entities and Public sector	10,902,169	2,797,984	13,899,168	2,632,612	**30,231,933**
Total loans and advances to customers - gross	**18,222,197**	**5,726,377**	**18,728,304**	**5,860,765**	**48,537,643**
Less: Allowance for impairment on loans and advances to customers	13,041	(320,918)	(8,040,795)	(1,318,572)	(9,667,243)
Loans and advances to customers at amortised cost	**18,235,238**	**5,405,459**	**10,687,510**	**4,542,194**	**38,870,401**

Amounts in thousand euros (Unless otherwise stated)

	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**

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 in the period 2012 to 2015. Specifically, the remaining allowance for impairment on loans and advances to customers of the Group amounting to € 4.2 billion as at 30/9/2018 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 Piraeus Bank amounted to € 8.1 billion for the Group, 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.

	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)	69,494	(196,545)	127,051	-	0
Profit/ (loss) due to changes in credit risk	(62,651)	(111,351)	494,358	74,082	394,439
Write-offs	(196)	(1,662)	(1,076,808)	(5,061)	(1,083,727)
Write-off of accrued interest relating to ITG Approach A for Stage 3 loans	-	-	(454,333)	(249,057)	(703,389)
Change in the present value of the impairment allowance	271	-	336,259	217,476	554,006
Transfer to held for sale portfolio	(1)	-	(609,468)	(19,042)	(628,512)
Foreign exchange differences and other movements	(133,245)	(87,152)	(50,932)	208,976	(62,354)
Balance at 30/9/2018	**(13,041)**	**320,918**	**8,040,795**	**1,318,572**	**9,667,243**

Further information regarding the line “Write-off of accrued interest relating to ITG Approach A 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 Consolidated Interim Statement of Financial Position (30/9/2018: € 86.0 million) includes loans and advances to customers 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 (Note 3).

13.3 Loans and advances to customers held for sale

During Q2 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 € 1,951.5 million total legal claims. The operating segment in which the relevant portfolio is presented is mainly PLU, as at 30/9/2018.

Additionally, the Bank entered into an agreement for the sale and transfer of non-performing, denounced unsecured retail consumer and credit cards exposures equivalent to approximately € 2,219.7 million total legal claims. The operating segment in which the relevant portfolio is presented is mainly PLU, as at 30/9/2018.

The Bank, as at 30/6/2018, has transferred the above two 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 30/9/2018, that are measured at amortised cost, is € 462.5 million. Furthermore, the fair value of the loans transferred to the HFS portfolio as at 30/9/2018, that are mandatorily measured at FVTPL, amounts to € 9.1 million.

Furthermore, during Q3 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 € 84.2 million total legal claims. The operating segment in which the relevant portfolio is presented is PLU, as at 30/9/2018. The Bank, as at 30/9/2018, has transferred this loan perimeter 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 30/9/2018, that are measured at amortised cost, is € 39.7 million. The transaction is subject to customary conditions, regulatory and other approvals by the respective authorities in Greece.

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	Unaudited tax years (1)	% Holding
1.	Piraeus Leasing S.A.	Finance leases	Greece	2013-2017	100.00%
2.	Piraeus Financial Leases S.A.	Finance leases	Greece	2013-2017	100.00%
3.	Geniki Financial & Consulting Services S.A.	Financial & consulting services	Greece	2012-2017	100.00%
4.	Piraeus Securities S.A.	Stock exchange operations	Greece	2013-2017	100.00%
5.	Piraeus Factoring S.A.	Corporate factoring	Greece	2013-2017	100.00%
6.	Piraeus Capital Management S.A.	Venture capital fund	Greece	2013-2017	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%
11.	Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and reinsurance brokerage	Greece	2013-2017	100.00%
12.	Piraeus Insurance Agency S.A.	Insurance agency	Greece	2013-2017	100.00%
13.	Geniki Information S.A.	Assessment and collection of commercial debts	Greece	2013-2017	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%
17.	Piraeus Green Investments S.A.	Holding company	Greece	2013-2017	100.00%
18.	Abies S.A.	Property management	Greece	2010-2017	61.65%
19.	Achaia Clauss Estate S.A.	Property management	Greece	2013-2017	75.37%
20.	Euroterra S.A.	Property management	Greece	2010-2017	62.90%
21.	Kosmopolis A' Shopping Centers S.A.	Shopping center's management	Greece	2013-2017	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%
24.	New Up Dating Development Real Estate and Tourism S.A.	Property, tourism & development company	Greece	2013-2017	100.00%
25.	Picar S.A.	City Link areas management	Greece	2013-2017	100.00%
26.	Property Horizon S.A.	Property management	Greece	2013-2017	100.00%

Amounts in thousand euros (Unless otherwise stated)

s/n	Name of Company	Activity	Country	Unaudited tax years [1]	% Holding
27.	Rebikat S.A.	Property management	Greece	2010-2017	61.92%
28.	General Construction and Development Co. S.A.	Property development/ holding company	Greece	2013-2017	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%
31.	Komotini Real Estate Development S.A.	Property management	Greece	2013-2017	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%
34.	Piraeus Real Estate S.A.	Construction company	Greece	2013-2017	100.00%
35.	Pleiades Estate S.A.	Property management	Greece	2013-2017	100.00%
36.	A.C.T. B.A.S. S.A.	Counseling services for payroll and labour affairs	Greece	2011-2017	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%
39.	Multicollection S.A.	Assessment and collection of commercial debts	Greece	2009-2017	51.00%
40.	Piraeus Direct Solutions S.A.	Financial - telecommunication & IT services	Greece	2013-2017	100.00%
41.	Special Financial Solutions S.A.	Advising, consultancy, organizational and training services	Greece	2013-2017	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%
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 Aetoi 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.	Thriacio Logistics Center S.A.	Logistic center	Greece	-	52.00%
54.	Tirana Leasing Sh.A.	Finance leases	Albania	2016-2017	100.00%
55.	Cielo Concultancy Sh.P.K.	Holding and investment company	Albania	2014-2017	99.09%
56.	Edificio Enterprise Sh.P.K.	Holding and investment company	Albania	2014-2017	99.09%
57.	Tierra Projects Sh.P.K.	Holding and investment company	Albania	2014-2017	99.09%

Amounts in thousand euros (Unless otherwise stated)

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

Amounts in thousand euros (Unless otherwise stated)

s/n	Name of Company	Activity	Country	Unaudited tax years (1)	% Holding
90.	Piraeus Clean Energy GP Ltd	General partner of Piraeus Clean Energy LP	Cyprus	2012-2017	100.00%
91.	Piraeus Equity Advisors Ltd	Investment advice	Cyprus	2012-2017	100.00%
92.	Sunholdings Properties Company Ltd	Land and property development	Cyprus	2008-2017	26.65%
93.	Philoktimatiki Ergoliptiki Ltd	Construction company	Cyprus	2015-2017	53.29%
94.	WH South Wind Hellas Ltd	The holding of investments in Renewable Energy Sector in Greece	Cyprus	2016-2017	100.00%
95.	Emadierio Solar Energy & Investments Ltd	The exploitation of wind energy park in Greece	Cyprus	2016-2017	100.00%
96.	Josharton Ltd	Holding of investments	Cyprus	2016-2017	100.00%
97.	JSC Piraeus Bank ICB	Banking activities	Ukraine	2015-2017	99.99%
98.	Akinita Ukraine LLC	Real estate development	Ukraine	2014-2017	100.00%
99.	Sinitem LLC	Sale and purchase of real estate	Ukraine	2013-2017	99.94%
100.	Solum Enterprise LLC	Property management	Ukraine	2012-2017	99.94%
101.	Solum Limited Liability Company	Property management	Ukraine	2017	99.94%
102.	Piraeus Leasing Romania S.A.	Monitoring and collection services for loans disbursed by the company	Romania	2003-2017	100.00%
103.	Alecsandri Estates SRL	Real Estate Development	Romania	2009-2017	74.32%
104.	Daphne Real Estate Consultancy SRL	Real estate development	Romania	2014-2017	99.09%
105.	Priam Business Consultancy SRL	Real estate development	Romania	2014-2017	99.18%
106.	Proiect Season Residence SRL	Real estate development	Romania	2012-2017	100.00%
107.	R.E. Anodus SRL	Real Estate development	Romania	2013-2017	99.09%
108.	Rhesus Development Projects SRL	Real estate development	Romania	2014-2017	99.09%
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%
111.	Piraeus Real Estate Egypt LLC	Property management	Egypt	2011-2017	100.00%
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%
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%
116.	Piraeus Group Capital Ltd	Debt securities issue	United Kingdom	-	100.00%
117.	Piraeus Group Finance PLC	Debt securities issue	United Kingdom	-	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	Unaudited tax years [1]	% 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%
128.	Piraeus Asset Management Europe S.A.	Mutual funds management	Luxemburg	-	100.00%
129.	Vitria Investments S.A.	Investment company	Panama	-	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 92 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 30/9/2018 the companies duly numbered 17, 32, 38-39, 54, 56-57, 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) “Torborg Maritime Inc.”, f) “Isham Marine Corp.”, g) “Axia III Holdings Ltd”, h) “Praxis II Holdings Ltd” and i) “Kion Holdings Ltd”. The consolidation of the above mentioned companies would not have a significant effect on the Consolidated Interim Statement of Financial Position and Consolidated Interim Income Statement, based on its latest available financial information.

14.2 Subsidiaries classified as discontinued operations

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	Unaudited tax years [1]	% Holding
1.	IMITHEA S.A.	Organization, operation and management of hospital units	Greece	2013-2017	100.00%
2.	Tirana Bank I.B.C. S.A.	Banking activities	Albania	2014-2017	98.83%
3.	Piraeus Bank Bulgaria A.D.	Banking activities	Bulgaria	2010-2017	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.

Amounts in thousand euros (Unless otherwise stated)

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 Consolidated 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	Unaudited tax years (1)	% Holding
1.	Piraeus - TANEO Capital Fund	Close end Venture capital fund	Greece	-	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	2013-2017	27.80%
4.	Marfin Investment Group Holdings S.A.	Holding company	Greece	2013-2017	31.63%
5.	Omicron Cyclos Ena Symmetohiki S.A. (former Sciens International Investments & Holding S.A.)	Holding company	Greece	2013-2017	28.10%
6.	APE Fixed Assets Real Estate Tourist & Development S.A.	Real estate, development/ tourist services	Greece	2013-2017	27.80%
7.	APE Investment Property S.A.	Real estate, development/ tourist services	Greece	2013-2017	28.92%
8.	Olganos Real Estate S.A.	Property management/electricity production from hydropower stations	Greece	2014-2017	32.27%
9.	Pyrrichos S.A.	Property management	Greece	2012-2017	50.77%
10.	Exodus S.A.	Information technology & software	Greece	2013-2017	49.90%
11.	Evros' Development Company S.A.	European community programs management	Greece	2010-2017	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%
14.	Selonda Aquaculture S.A.	Fish farming	Greece	2012-2017	32.92%
15.	Nireus Aquaculture S.A.	Fish farming	Greece	2013-2017	32.23%
16.	Teiresias S.A.	Interbanking company of development, operation and management of information systems	Greece	2010,2013-2017	23.53%
17.	Trastor Real Estate Investment Company	Real estate investment property	Greece	2013-2017	39.39%
18.	Unisoft S.A.	Software manufacturer	Greece	2013-2017	23.07%
19.	Pireaus Direct Services S.A.	Support and e-commerce services, trade of time renewal cards	Greece	2013-2017	49.90%
20.	Trieris Real Estate Ltd	Property management	British Virgin Islands	-	32.37%
21.	Exus Software Ltd	IT products retailer	United Kingdom	2017	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.

Amounts in thousand euros (Unless otherwise stated)

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 Consolidated Statement of Financial Position and Consolidated 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.

During the period 1/1 - 30/9/2018, the Group recorded a loss of € 49.8 million due to the impairment of its associates. The above mentioned impairment is included in line "Impairment on participations" of the Consolidated Interim Income Statement.

14.3.2 Joint ventures

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

s/n	Name of Company	Activity	Country	Unaudited tax years [1]	% 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.

15 Due to credit institutions

Due to credit institutions as at 30/9/2018, include refinancing operations from the eurosystem through repo transactions amounting to € 2,000.0 million (31/12/2017: € 9,730.8 million). 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 elimination of funding under the emergency liquidity assistance mechanism (ELA), c) the increase in deposits, d) the further deleveraging of the loan portfolio and e) the increase in repo transactions.

Amounts in thousand euros (Unless otherwise stated)

16 Due to customers

	30 September 2018	31 December 2017
Corporate		
Current and sight deposits	7,469,759	8,043,856
Term deposits	3,378,738	2,065,033
Blocked deposits, guarantee deposits and other accounts	248,972	269,969
Total (A)	**11,097,469**	**10,378,859**
Retail		
Current and sight deposits	3,384,000	3,220,867
Savings account	14,496,202	15,134,031
Term deposits	13,766,868	13,834,560
Blocked deposits, guarantee deposits and other accounts	34,628	43,501
Total (B)	**31,681,698**	**32,232,959**
Cheques payable and remittances (C)	**107,216**	**103,435**
Total Due to Customers (A)+(B)+(C)	**42,886,383**	**42,715,252**

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 present fluctuations depending on the market conditions.

18 Debt securities in issue

18.1 Securitisation of mortgage loans

	30 September 2018	31 December 2017
Issuance € 750 million floating rate notes due 2040	10,361	11,317
Issuance € 1,250 million floating rate notes due 2054	34,370	37,069
Issuance € 600 million floating rate notes due 2051	14,023	16,103
Total debt securities in issue	**58,754**	**64,489**

From the above mentioned securitisations of mortgage loans issues, the Group possesses as at 30/9/2018 bonds of nominal value amounting to € 83.4 million (31/12/2017: € 91.7 million) from the issuance of € 750.0 million, € 538.7 million (31/12/2017: € 568.4 million) from the issuance of € 1,250.0 million and € 26.4 million (31/12/2017: € 29.0 million) from the issuance of € 600.0 million.

The Group, during the period 1/1/2018 - 30/9/2018, proceeded with the buy back of bonds of securitised loans of total amount after amortisation of € 2.7 million.

Amounts in thousand euros (Unless otherwise stated)

18.2 Covered bonds

	30 September 2018	31 December 2017
Issuance € 500 million floating rate notes due 2022	471,048	370,788
Total covered bonds	**471,048**	**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,the Group possesses as at 30/9/2018 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 30/9/2018 liabilities arising from securitisations of loans are retained by the Group. 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 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 30/9/2018, a total amount of € 4,030.0 million for the Bank (31/12/2017: € 2,130.0 million) of covered bonds issued by Piraeus Bank, are retained by the Group. 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 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 - 30/9/2018.

19 Other provisions

The increase in the line “Other provisions” from € 53.0 million as at 31/12/2017 to € 184.0 million as at 30/9/2018 is mainly attributable to the allowance for expected credit losses on credit commitments, recognized according to IFRS 9, amounting to € 132.3 million (Note 20.3).

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

20.1 Legal proceedings

The Group 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 Consolidated Interim Statement of Financial Position, Consolidated Interim Income Statement and Consolidated Interim Cash Flow Statement. As at 30/9/2018, Management has estimated a provision for cases under litigation for which a reliable estimation can be made of € 34.4 million (31/12/2017: € 32.1 million). 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 September 2018 amounts to € 140.0 million for the Group.

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 an unqualified Tax Audit Certificates has been issued. For the fiscal year 2017 the tax audit of the Bank conducted by Deloitte Certified Public Accountants S.A., as the statutory auditor of the Bank, has been completed and an unqualified Tax Audit Certificate has been issued.

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 2017 has been completed and the relevant Tax Audit Certificate has been issued.

The unaudited tax years of the Group's subsidiaries, associates and joint ventures, are included in Note 14 of the Consolidated 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 to their tax positions for those years may not be considered as final. Additional taxes and penalties may be imposed, as a result of such tax audits performed by the tax authorities, although 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 Letters of Guarantees, Letters of Credit and Undrawn committed credit facilities. Typically, Letters of guarantee and Letters of credit 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. Undrawn committed credit facilities are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. The Group, in recognising the inherent credit risk of these Credit commitments, applies the same Credit Policy, approval process and monitoring procedures as those applied for the Loans and advances to customers included in the Consolidated Statement of Financial Position.

As at 30/9/2018 the Group had undertaken the following credit commitments:

	30 September 2018	31 December 2017
Letters of guarantee	2,682,105	2,770,387
Letters of credit	32,151	37,021
Undrawn committed credit facilities (non cancellable)	524,909	499,557
	3,239,164	**3,306,965**

Undrawn committed credit facilities as at 30 September 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)

With the adoption of IFRS 9, Management has calculated the expected credit losses (ECL) for the aforementioned exposures. The allowance for expected credit losses on Credit commitments recognized according to IFRS 9 as at 30/9/2018 amounts to € 132.3 million (1/1/2018: € 153.7 mllion) and is included in line "Other provisions" of the Consolidated Interim Statement of Financial Position as well as in Note 3.8.

20.4 Assets pledged

	30 September 2018	31 December 2017
Cash and balances with Central Bank	-	828
Loans and advances to credit institutions	572,659	734,542
Financial instruments at fair value through profit or loss	15,194	1,473,151
Loans and advances to customers	1,580,868	27,219,771
Investment securities	-	1,465,500
Financial assets at fair value through other comprehensive income	91,108	-
Other assets	29,200	21,900
	2,289,029	**30,915,692**

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 € 2,576.3 million (31/12/2017: € 2,139.3 million) are used for liquidity purposes, out of which Greek government bonds of nominal value € 1,021.7 million (31/12/2017: € 67.9 million) and debt securities of own issue of nominal value € 1,326.6 million (31/12/2017: € 2,071.4 million).

On 30/9/2018, further to the above assets pledged, the Group has 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", as presented in the above table, pertain to loans which have been pledged under financing from the ECB.

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

20.5 Operating lease commitments

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

	30 September 2018	31 December 2017
Up to 1 year	32,886	38,453
From 1 to 5 years	87,790	113,380
More than 5 years	43,754	70,262
	164,430	**222,095**

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

	Share Capital	Share Premium	Contingent convertible securities	Treasury Shares	Total
Opening balance at 1 January 2017	**2,619,955**	**13,074,688**	**2,040,000**	**(842)**	**17,733,801**
Purchases/ sales of treasury shares	-	-	-	463	463
Balance at 31 December 2017	**2,619,955**	**13,074,688**	**2,040,000**	**(379)**	**17,734,264**
Opening balance at 1 January 2018	**2,619,955**	**13,074,688**	**2,040,000**	**(379)**	**17,734,264**
Purchases/ sales of treasury shares	-	-	-	319	319
Balance at 30 September 2018	**2,619,955**	**13,074,688**	**2,040,000**	**(59)**	**17,734,584**

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

	Number of shares		
	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	-	(3,724,812)	(3,724,812)
Sales of treasury shares	-	3,888,731	3,888,731
Balance at 30 September 2018	**436,659,164**	**(27,750)**	**436,631,414**

The Bank's share capital on 30/9/2018 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 30/9/2018 and 31/12/2017 corresponded to the amount of € 2,040.0 million.

The main terms of the contingent convertible bonds are summarized as follows:

- If the CET1 ratio of the Bank, calculated on a separate or a consolidated basis falls below 7%, the contingent convertible bonds will be mandatorily converted into ordinary shares and the number of ordinary shares to be issued to each holder shall be determined by dividing 116% of the initial nominal amount of the outstanding contingent convertible bonds held, by the conversion price.
- The contingent convertible bonds are interest bearing with an annual rate of 8%, payable annually on an accrual basis. Interest Payments (whether in whole or in part) are left to the discretion of the Bank's Board of Directors. Any interest which is so cancelled shall not accumulate or be payable at any future time. The cancellation of interest does not constitute a default in payment or otherwise under the terms of the Bonds. In case the Bank does not make any of the scheduled interest payments in full on the relevant interest payment date, no dividend shall be paid on ordinary shares until the Bank resumes payment of interest.
- The contingent convertible bonds are mandatorily converted into ordinary shares, if interest payments are not paid by the Bank in whole or partially in two interest payment dates (not necessarily consecutive), excluding for this purpose any interest satisfied through the issuance of common shares in lieu of payment in cash.
- The contingent convertible bonds do not have a fixed repayment date.

Amounts in thousand euros (Unless otherwise stated)

On 30/9/2018, contingent convertible bonds form part of the Bank's equity, as all the relevant criteria in the provisions of IAS 32 are met.

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 132/6.2.2018 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.

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 the 9 month period ended 30 September 2018, as well as the treasury shares owned as at 30/9/2018 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

	30 September 2018	31 December 2017
Legal reserve	108,220	111,592
Extraordinary reserve	1,883	13,883
Available for sale reserve	-	79,467
Financial assets at fair value through other comprehensive income reserve	92,375	-
Currency translation reserve	(61,794)	(208,272)
Other reserves	40,383	41,624
Reserve of defined benefit obligations	(27,535)	(27,271)
Total other reserves	**153,531**	**11,022**
Retained earnings	**(10,608,537)**	**(8,326,871)**

Amounts in thousand euros (Unless otherwise stated)

Other reserves movement	**30 September 2018**	**31 December 2017**
Opening balance	11,022	(65,845)
IFRS 9 Transition impact on reserves	39,680	-
Movement of available for sale reserve	-	87,344
Movement of financial assets at fair value through other comprehensive income reserve	(26,772)	-
Transfer between other reserves and retained earnings	(10,903)	(4,113)
Acquisitions, disposals, liquidations and movement in participating interest	(5,711)	-
Change in reserve of defined benefit obligations	(264)	(2,465)
Foreign exchange differences and other adjustments	146,478	(3,899)
Closing balance	**153,531**	**11,022**

The line “Foreign exchange differences and other adjustments” includes the transfer of loss of € 139.1 million to the Consolidated Interim Income Statement. Relevant information is provided in Note 9.

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

Fair value through OCI reserve movement	**30 September 2018**	**31 December 2017**
Balance 31/12/2017	-	-
Reclassification/Remeasurement due to IFRS 9 adoption	92,036	-
Recognition of expected credit losses under IFRS 9	27,111	-
Opening balance at 1/1/2018	**119,147**	**0**
Gains/(losses) from the valuation of bonds	(23,762)	-
Gains/(losses) from the valuation of shares	7,224	-
Impairment losses/ (releases) on bonds	(6,092)	-
Recycling of the valuation of securities disposed	(11,063)	-
Deferred income taxes	7,002	-
Foreign exchange differences and adjustments	(80)	-
Closing balance	**92,375**	**0**

Retained earnings movement	**30 September 2018**	**31 December 2017**
Opening balance	(8,326,871)	(8,004,333)
IFRS 9 Transition impact on retained earnings	(1,981,352)	-
Profit/ (loss) after tax attributable to the owners of the Bank	(298,911)	(200,395)
Profit/ (loss) from sales of treasury shares	(509)	(83)
Payment to the holders of contingent convertible securities (net of tax)	-	(117,481)
Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income	99	-
Transfer between other reserves and retained earnings	10,903	4,113
Acquisitions, disposals and movements in participating interest	(11,895)	(8,691)
Closing balance	**(10,608,537)**	**(8,326,871)**

Amounts in thousand euros (Unless otherwise stated)

23 Related parties transactions

The nature of the transactions entered into by the Group with related parties during the period 1/1 - 30/9/2018 and the period 1/1 - 30/9/2017 respectively and the balances outstanding at 30 September 2018 and 31 December 2017 are presented below.

Related parties include:

a) Members of the Board of Directors and the Group Executive Committee, the Group Chief Internal Auditor, the Group Chief Compliance Officer, and the CEOs of the significant subsidiaries, collectively Key Management Personnel,
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 in December 2017, there were no significant transactions with the HFSF for the period 1/1 - 30/9/2018 and the year 2017.

	30/09/2018		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	5,206	1,546	8,892	1,887
Due to customers	1,158	763	1,088	1,116
Letters of guarantee and letters of credit	-	-	-	-

	1/1-30/9/2018		1/1-30/9/2017	
	Board of Directors' members and key management personnel	Other related parties	Board of Directors' members and key management personnel	Other related parties
Income	45	61	87	218
Expense	1	-	2	204

Members of the Board of Directors and key management personnel benefits	1/1-30/9/2018	1/1-30/9/2017
Short term benefits	3,376	4,993
Post employment benefits	243	(246)

Amounts in thousand euros (Unless otherwise stated)

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 30/9/2018 amounted to € 3.7 million compared to € 5.3 million 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 Associates

The transactions with associate companies are analysed as follows:

	30 September 2018	31 December 2017
Loans and advances to customers	1,213,917	1,260,734
Derivative financial instruments - assets	3,406	5,477
Other receivables	4,390	2,316
Deposits	83,301	61,754
Derivative financial instruments - liabilities	-	24,941
Other liabilities	2,637	1,460

The allowance for impairment on loans and advances to customers granted to associate companies as at 30/9/2018 amounted to € 75.1 milllion compared to € 92.7 million as at 31/12/2017.

	1/1-30/9/2018	1/1-30/9/2017
Total expense and capital expenditure	(13,339)	(10,077)
Total income	39,464	61,223

Letters of guarantee and letters of credit to associates of the Group as at 30/9/2018 amounted to € 9.1 million (31/12/2017: € 7.7 million). The liabilities from property operating leasing commitments to the Group’s associate companies as at 30/9/2018 amounted to € 7.9 million (31/12/2017: € 9.4 million).

23.2 Joint ventures

The transactions with joint ventures are analysed as follows:

	30 September 2018	31 December 2017
Loans and advances to customers	52,447	51,818

The allowance for impairment on loans and advances to customers granted to joint ventures as at 30/9/2018 amounted to € 41.5 million (31/12/2017: € 8.3 million).

	1/1-30/9/2018	1/1-30/9/2017
Total income	629	578

24 Changes in the portfolio of consolidated companies

The analysis of changes of the consolidated companies' portfolio during the first nine months of 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 Establishment

On 8/8/2018, Piraeus Bank Bulgaria A.D., 99.98% subsidiary company of Piraeus Bank, established its 100.00% subsidiary company Yota Asset Ltd, by paying the amount of € 2.7 million. As a result, the company has become subsidiary company of the Group.

On 31/8/2018, ETVA Industrial Parks S.A., 65.00% subsidiary company of Piraeus Bank, established its 80.00% subsidiary company, Thriacio Logistics Center S.A., by paying the amount of € 800.0 thousand. As a result, the company has become subsidiary company of the Group.

24.3 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 € 866.0 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 99.80% 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 S.A. for an amount of € 12.4 thousand. As a result, Piraeus Bank owns 100.00% of the company.

On 20/7/2018, APE Commercial Property Real Estate Tourist and Development S.A., 27.80% associate company of Piraeus Bank, proceeded to reverse split with increase of the nominal value of each share to € 2.5 from € 0.5. In addition, on the same day, the company fulfilled its share capital increase through capitalization of reserves of total amount € 39.0 million and the decrease of its share capital with the amount of € 33.1 million. The participation percentage of Piraeus Bank in the company remained the same.

On 25/7/2018, APE Fixed Assets Real Estate Tourist and Development S.A., 27.80% associate company of Piraeus Bank, proceeded to a share capital increase by € 300.0 thousand. Piraeus Bank covered its ratio by paying € 83.0 thousand, without altering its shareholding percentage in the company.

On 31/7/2018, Pyrrichos S.A., 50.70% associate company of Piraeus Bank, proceeded to a share capital increase by € 410.0 thousand. Piraeus Bank covered its ratio by paying € 208.0 thousand, without altering its shareholding percentage in the company.

On 21/9/2018, Piraeus Bank paid to its associate participation, Piraeus - TANEO Capital Fund, the amount of € 140.0 thousand, maintaining its shareholding percentage in the company to 50.01%.

24.4 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.

On 10/9/2018, General Business Management Investitii SRL, 100.00% subsidiary company of the Group, was deleted from the relevant Company Registry.

On 20/9/2018, Besticar Limited, 99.98% subsidiary company of the Group, was deleted from the relevant Company Registry.

24.5 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.

On 21/9/2018, Sciens International Investments & Holding S.A., 28.10% associate company of Piraeus Bank, was renamed to Omicron Cyclos Ena Symmetohiki S.A.

Amounts in thousand euros (Unless otherwise stated)

25 Capital adequacy

From January 2014 onwards Piraeus Bank Group complies 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 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:

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

Following the activation of the SSM on 4 November 2014, Piraeus Bank Group 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%, 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 Piraeus Bank Group 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 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 30/9/2018 for Piraeus Bank Group, as calculated under the existing regulatory framework, taking into account all relevant transitional period provisions applicable under Regulation (EU) No. 575/2013.

	30 September 2018	31 December 2017
Common Equity Tier 1 Capital	6,662,835	7,710,725
Tier 1 Capital	6,662,835	7,710,725
Total regulatory capital	6,662,835	7,710,725
Total risk weighted assets (on and off- balance sheet items)	48,544,225	50,981,210
CET1 Capital ratio	13.7%	15.1%
T1 Capital ratio	13.7%	15.1%
Total capital ratio	13.7%	15.1%

The Group's pro-forma Basel III total capital adequacy ratio as at 30 September 2018 stood at 14.18%, as did the Group's 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 the subsidiary Financial Institutions in Albania and Bulgaria, three non-performing loan portfolios and an equity holding, as these transactions had not been concluded by 30 September 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 stands at 13.73% a level that surpasses the Overall Capital Requirement ("OCR") ratio of 13.625% set by SSM through the Supervisory Review and Evaluation Process ("SREP").

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 Exercise), 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 new accounting standard IFRS 9 "Financial Instruments". 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 was 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 Exercise was run at the highest level of consolidation. The 2018 ST 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 Exercise covered Piraeus Bank S.A. as a consolidated group, including all subsidiaries and branches, both domestic and international. The 2018 ST Exercise 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 Exercise conducted by the ECB concerning the four Greek systemic banks. Under the 2018 ST Exercise Piraeus Bank Group 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 currently 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 Consolidated Interim Income Statement, in the Consolidated Interim Statement of Comprehensive Income as well as in the Consolidated Interim Cash Flow Statement for the period 1/1-30/9/2017 and 1/7-30/9/2017 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 Group restated the credit card expenses associated with interest and administrative expenses into fee and commission expense.

Consolidated Interim Income Statement	From 1 January to 30 September 2017		
	Published amounts	Restatements	Restated amounts
Interest and similar income	1,753,143	(73,906)	1,679,238
Interest expense and similar charges	(448,707)	13,113	(435,594)
Net interest income	**1,304,436**	**(60,793)**	**1,243,644**
Fee and commission income	338,117	(24,295)	313,823
Fee and commission expense	(49,087)	4,404	(44,683)
Net fee and commission income	**289,030**	**(19,891)**	**269,139**
Dividend income	6,367	(389)	5,978
Net income from financial instruments measured at fair value through profit or loss	36,479	(986)	35,493
Results from investment securities	40,099	(1,482)	38,617
Results from the disposal of participation of subsidiaries and associates	(9)	-	(9)
Other income/ (expenses)	106,145	2,844	108,989
Total net income	**1,782,549**	**(80,697)**	**1,701,851**
Staff costs	(424,778)	32,080	(392,698)
Administrative expenses	(366,201)	41,159	(325,042)
Depreciation and amortisation	(78,054)	7,467	(70,587)
Gains/ (losses) from sale of property and equipment and intangible assets	(971)	(68)	(1,040)
Total operating expenses before provisions	**(870,005)**	**80,638**	**(789,367)**
Profit before provisions, impairment and income tax	**912,544**	**(59)**	**912,485**
Impairment losses on loans and advances to customers	(830,143)	(1,846)	(831,990)
Impairment losses on other assets	(23,193)	2,075	(21,118)
Impairment of property & equipment and intangible assets	(72,140)	393	(71,748)
Other provisions and impairment	(11,734)	3,413	(8,321)
Share of profit/ (loss) of associates and joint ventures	(22,682)	-	(22,682)
Profit/ (loss) before income tax	**(47,349)**	**3,975**	**(43,374)**
Income tax benefit/ (expense)	25,422	349	25,771
Profit/ (loss) for the period from continuing operations	**(21,927)**	**4,325**	**(17,603)**
Profit/ (loss) after income tax from discontinued operations	(68,214)	(4,325)	(72,539)
Profit/ (loss) for the period	**(90,142)**	**0**	**(90,142)**
From continuing operations			
Profit/ (loss) attributable to equity holders of the parent entity	(19,482)	4,333	(15,149)
Non controlling interest	(2,445)	(8)	(2,453)
From discontinued operations			
Profit/ (loss) attributable to equity holders of the parent entity	(68,434)	(4,333)	(72,767)
Non controlling interest	220	8	228
Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):			
From continuing operations			
- Basic	(0.0446)	0.0099	(0.0347)
- Diluted	(0.0446)	0.0264	(0.0182)
From discontinued operations			
- Basic	(0.1568)	(0.0099)	(0.1667)
- Diluted	(0.1568)	0.0692	(0.0876)

Amounts in thousand euros (Unless otherwise stated)

Consolidated Interim Income Statement	From 1 July to 30 September 2017		
	Published amounts	Restatements	Restated amounts
Interest and similar income	575,377	(23,958)	551,419
Interest expense and similar charges	(144,263)	4,068	(140,195)
Net interest income	**431,114**	**(19,890)**	**411,224**
Fee and commission income	144,714	(8,335)	136,379
Fee and commission expense	(18,166)	1,537	(16,629)
Net fee and commission income	**126,548**	**(6,798)**	**119,750**
Dividend income	202	(3)	199
Net income from financial instruments measured at fair value through profit or loss	6,948	(1,415)	5,534
Results from investment securities	9,879	(176)	9,702
Other income/ (expenses)	7,923	214	8,138
Total net income	**582,614**	**(28,068)**	**554,547**
Staff costs	(138,869)	10,566	(128,303)
Administrative expenses	(123,112)	11,767	(111,345)
Depreciation and amortisation	(26,285)	2,665	(23,620)
Gains/ (losses) from sale of property and equipment and intangible assets	79	(51)	28
Total operating expenses before provisions	**(288,187)**	**24,947**	**(263,240)**
Profit before provisions, impairment and income tax	**294,428**	**(3,121)**	**291,306**
Impairment losses on loans and advances to customers	(311,909)	2,128	(309,781)
Impairment losses on other assets	(5,029)	1,183	(3,846)
Impairment of property & equipment and intangible assets	(694)	(1)	(696)
Other provisions and impairment	(2,923)	850	(2,073)
Share of profit/ (loss) of associates and joint ventures	3,723	-	3,723
Profit/ (loss) before income tax	**(22,404)**	**1,037**	**(21,367)**
Income tax benefit/ (expense)	2,104	190	2,294
Profit/ (loss) for the period from continuing operations	**(20,300)**	**1,227**	**(19,073)**
Profit/ (loss) after income tax from discontinued operations	6,460	(1,227)	5,233
Profit/ (loss) for the period	**(13,840)**	**0**	**(13,840)**
From continuing operations			
Profit/ (loss) attributable to equity holders of the parent entity	(19,411)	1,234	(18,177)
Non controlling interest	(889)	(7)	(896)
From discontinued operations			
Profit/ (loss) attributable to equity holders of the parent entity	6,460	(1,234)	5,226
Non controlling interest	-	7	7
Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):			
From continuing operations			
- Basic	(0.0445)	0.0029	(0.0416)
- Diluted	(0.0445)	0.0226	(0.0219)
From discontinued operations			
- Basic	0.0148	(0.0028)	0.0120
- Diluted	0.0148	(0.0085)	0.0063

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 Consolidated Interim Income Statement for the period 1/1 - 30/9/2018. Additionally, the aforementioned line "Other impairment losses" of the Consolidated Interim Income Statement for the period 1/1 - 30/9/2018 also includes an amount of € 0.6 million, presented under line "Other provisions and impairment" of the above Consolidated Interim Income Statement for the comparative period.

Consolidated Interim Statement of Comprehensive Income	From 1 January to 30 September 2017		
	Published amounts	Restatements	Restated amounts
CONTINUING OPERATIONS			
Profit/ (loss) for the period (A)	**(21,927)**	**4,325**	**(17,603)**
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Change in available for sale reserve	34,817	(305)	34,511
Change in currency translation reserve	(7,532)	768	(6,764)
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	16	-	16
Other comprehensive income, net of tax (B)	**27,300**	**463**	**27,763**
Total comprehensive income, net of tax (A+B)	**5,373**	**4,787**	**10,160**
- Attributable to equity holders of the parent entity	7,773	4,806	12,578
- Non controlling interest	(2,399)	(18)	(2,418)
DISCONTINUED OPERATIONS			
Profit/ (loss) for the period (C)	**(68,214)**	**(4,325)**	**(72,539)**
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Change in available for sale reserve	59	305	364
Change in currency translation reserve	3,539	(768)	2,772
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	-	-	-
Other comprehensive income, net of tax (D)	**3,598**	**(463)**	**3,136**
Total comprehensive income, net of tax (C+D)	**(64,616)**	**(4,787)**	**(69,403)**
- Attributable to equity holders of the parent entity	(64,836)	(4,806)	(69,641)
- Non controlling interest	220	18	238

Amounts in thousand euros (Unless otherwise stated)

Consolidated Interim Statement of Comprehensive Income	From 1 July to 30 September 2017		
	Published amounts	Restatements	Restated amounts
CONTINUING OPERATIONS			
Profit/ (loss) for the period (A)	**(20,300)**	**1,227**	**(19,073)**
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Change in available for sale reserve	(8,001)	(417)	(8,419)
Change in currency translation reserve	(4,640)	2,407	(2,233)
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	23	-	23
Other comprehensive income, net of tax (B)	**(12,619)**	**1,990**	**(10,629)**
Total comprehensive income, net of tax (A+B)	**(32,919)**	**3,217**	**(29,702)**
- Attributable to equity holders of the parent entity	(32,048)	3,214	(28,834)
- Non controlling interest	(870)	3	(868)
DISCONTINUED OPERATIONS			
Profit/ (loss) for the period (C)	**6,460**	**(1,227)**	**5,233**
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Change in available for sale reserve	3	418	421
Change in currency translation reserve	1,268	(2,407)	(1,138)
Items that will not be reclassified to profit or loss			
Change in reserve of defined benefit obligations	-	-	-
Other comprehensive income, net of tax (D)	**1,271**	**(1,989)**	**(717)**
Total comprehensive income, net of tax (C+D)	**7,731**	**(3,216)**	**4,515**
- Attributable to equity holders of the parent entity	7,731	(3,214)	4,518
- Non controlling interest	-	(3)	(3)

Consolidated Interim Cash Flow Statement	From 1 January to 30 September 2017		
	Published amounts	Restatements	Restated amounts
Net cash inflow/ (outflow) from operating activities	603,739	(101,850)	501,889
Net cash inflow/ (outflow) from investing activities	(5,480)	(690,251)	(695,730)
Net cash inflow/ (outflow) from financing activities	(17,299)	-	(17,299)
Total cash inflows/ (outflows) for the period	**580,960**	**(792,101)**	**(211,141)**
Effect of exchange rate fluctuations on cash and cash equivalents	8,318	(8,598)	(280)
Net increase/ (decrease) in cash and cash equivalents from continuing operations (A)	**589,278**	**(800,699)**	**(211,421)**
Net increase/ (decrease) in cash and cash equivalents from discontinued operations (B)	**5,584**	**64,249**	**69,833**
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)	**2,409,814**	**(313,442)**	**2,096,372**

Amounts in thousand euros (Unless otherwise stated)

27 Events subsequent to the end of the Consolidated interim Financial Information

- 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, of € 1.4 billion gross book value, to Bain Capital Credit LP. On 31 October 2018, the transaction was completed, following the fulfillment of all conditions precedent to the completion of the transaction, including the approval by the HFSF. Post-closing, the Bank has no control over the servicing of the portfolio and retains none of the risks and rewards associated with it.

- On 2 July 2018, Piraeus Bank S.A. announced that it entered into an 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 gross book value. On 26 October 2018, the transaction was completed, following the fulfillment of all conditions precedent to the completion of the transaction, including the approval by the HFSF. Post-closing, the Bank has no control over the servicing of the portfolio and retains none of the risks and rewards associated with it.

- On 8 October 2018, Fitch Ratings upgraded the long term and short term issuer rating of Piraeus Bank to CCC/C from RD/RD before, on the lifting of restrictions on deposit withdrawals.

- On 7 November 2018, Piraeus Bank reached an agreement for the sale of its shareholding in the share capital (99.98%) of its subsidiary Piraeus Bank Bulgaria AD to Eurobank Bulgaria AD for a consideration of € 75.0 million. The transaction is subject to customary conditions, including approvals of the National Bank of Bulgaria and the HFSF. The resulting from the transaction RWA relief for the Group stands at € 0.7 billion.

- On 28/11/2018, Piraeus Bank's Board of Directors considering also the Bank's strategy to safeguard capital and build up further buffers vs capital requirement levels as described in Note 4.15, of the 2017 Annual Financial Statements as of 31/12/2017, exercised its discretion, explicitly provided under the terms of the Contingent Convertible Bond Issuance Programme (CoCos Programme), to cancel the forthcoming interest payment. It is further noted that, such a non payment results in cancellation of the respective amount, which under the CoCos Programme, is no longer considered as due and payable. For further information related to the main terms of the CoCos, please refer to Note 21.

Athens, 30 November 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