PIRAEUS BANK

# PIRAEUS BANK GROUP

# Consolidated Interim Financial Information

31 March 2018

The attached Consolidated Interim Financial Information has been approved by Piraeus Bank S.A. Board of Directors on 10 May 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 financial statements, the Greek language financial statements 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 31 March 2018 | Period from 1 January to 31 March 2017 |
|---|---|---|---|
| Interest and similar income | 7 | 488,589 | 581,951 |
| Interest expense and similar charges | 7 | (128,433) | (153,037) |
| **NET INTEREST INCOME** | | **360,156** | **428,914** |
| Fee and commission income | | 93,103 | 90,062 |
| Fee and commission expense | | (14,540) | (12,699) |
| **NET FEE AND COMMISSION INCOME** | | **78,563** | **77,364** |
| Dividend income | | 122 | 156 |
| Net income/ (losses) from financial instruments measured at fair value through profit or loss | | (4,238) | 8,640 |
| Results from investment securities | | - | 22,339 |
| Results from the disposal of participation of subsidiaries and associates | | 4,450 | (173) |
| Recycling of the accumulated reserve from financial assets at fair value through other comprehensive income | | 10,758 | - |
| Other income/ (expenses) | | 12,178 | (1,826) |
| **TOTAL NET INCOME** | | **461,988** | **535,415** |
| Staff costs | 8 | (264,212) | (135,752) |
| Administrative expenses | | (105,254) | (113,976) |
| Depreciation and amortisation | | (27,897) | (24,989) |
| Gains/ (losses) from sale of property and equipment and intangible assets | | 37 | (974) |
| **TOTAL OPERATING EXPENSES BEFORE PROVISIONS** | | **(397,327)** | **(275,692)** |
| **PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX** | | **64,662** | **259,723** |
| Impairment losses on loans and advances to customers | 13 | (164,237) | (257,969) |
| Impairment losses on other assets | | (10,653) | (6,874) |
| Impairment (losses)/ releases on financial assets at fair value through other comprehensive income | | 14,991 | - |
| Impairment on participations | | (18,038) | - |
| Other impairment losses | | (1,068) | (1,525) |
| Other provision releases/ (charges) | | 6,145 | (1,124) |
| Share of profit/ (loss) of associates and joint ventures | | (8,304) | (7,125) |
| **PROFIT/ (LOSS) BEFORE INCOME TAX** | | **(116,502)** | **(14,894)** |
| Income tax benefit/ (expense) | 10 | 35,418 | 12,843 |
| **PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **(81,084)** | **(2,051)** |
| Profit/ (loss) after income tax from discontinued operations | 9 | (1,971) | (5,760) |
| **PROFIT/ (LOSS) FOR THE PERIOD** | | **(83,055)** | **(7,811)** |
| **From continuing operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | | (79,633) | (1,603) |
| Non controlling interest | | (1,452) | (448) |
| **From discontinued operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | | (1,971) | (5,853) |
| Non controlling interest | | - | 93 |
| **Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):** | | | |
| From continuing operations | | | |
| - Basic and diluted | 11 | (0.1825) | (0.0037) |
| From discontinued operations | | | |
| - Basic and diluted | 11 | (0.0045) | (0.0134) |

**Amounts in thousand euros** (Unless otherwise stated)

| **CONSOLIDATED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME** | **Note** | **Period from 1 January to 31 March 2018** | **31 March 2017** |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Profit/ (loss) for the period (A)** | | **(81,084)** | **(2,051)** |
| **Other comprehensive income, net of tax:** | | | |
| **Amounts that can be reclassified to the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | (32,727) | - |
| Change in available for sale reserve | 12 | - | 12,227 |
| Change in currency translation reserve | 12 | 2,843 | (1,069) |
| **Amounts that cannot be reclassified to the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | 3,412 | - |
| Change in reserve of defined benefit obligations | 12 | (584) | (7) |
| **Other comprehensive income, net of tax (B)** | 12 | **(27,055)** | **11,151** |
| **Total comprehensive income, net of tax (A)+(B)** | | **(108,139)** | **9,100** |
| - Attributable to equity holders of the parent entity | | (106,625) | 9,559 |
| - Non controlling interest | | (1,515) | (459) |
| | | | |
| **DISCONTINUED OPERATIONS** | | | |
| **Profit/ (loss) for the period (C)** | | **(1,971)** | **(5,760)** |
| **Other comprehensive income, net of tax:** | | | |
| **Amounts that can be reclassified to the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 12 | 242 | - |
| Change in available for sale reserve | 12 | - | (451) |
| Change in currency translation reserve | 12 | (66) | (847) |
| **Amounts that cannot be reclassified to the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | | - | - |
| Change in reserve of defined benefit obligations | 12 | 92 | - |
| **Other comprehensive income, net of tax (D)** | 12 | **269** | **(1,298)** |
| **Total comprehensive income, net of tax (C)+(D)** | | **(1,703)** | **(7,058)** |
| - Attributable to equity holders of the parent entity | | (1,748) | (7,151) |
| - Non controlling interest | | 46 | 93 |

**Amounts in thousand euros** (Unless otherwise stated)

| CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION | Note | 31 March 2018 | 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Central Banks | | 1,524,133 | 1,449,240 |
| Loans and advances to credit institutions | | 3,531,965 | 2,147,758 |
| Financial assets at fair value through profit or loss | | 317,435 | 1,499,824 |
| Financial assets mandatorily at fair value through profit or loss | | 130,973 | - |
| Derivative financial instruments - assets | | 406,759 | 459,993 |
| Reverse repos with customers | | 67,101 | 90,253 |
| Loans and advances to customers | 13 | 41,465,707 | 44,719,530 |
| Financial assets at fair value through other comprehensive income | | 1,735,839 | - |
| Available for sale securities | 3 | - | 2,203,803 |
| Debt securities - receivables | 3 | - | 23,109 |
| Assets held for sale | | 17,998 | 18,110 |
| Investment property | | 1,133,424 | 1,120,627 |
| Investments in associated undertakings and joint ventures | 14 | 224,569 | 251,374 |
| Property and equipment | | 1,049,505 | 1,041,435 |
| Intangible assets | | 305,143 | 300,771 |
| Deferred tax assets | | 6,587,324 | 6,542,813 |
| Other assets | | 3,280,196 | 3,264,380 |
| Assets from discontinued operations | 9 | 1,780,599 | 2,283,542 |
| **TOTAL ASSETS** | | **63,558,670** | **67,416,562** |
| **LIABILITIES** | | | |
| Due to credit institutions | 15 | 8,846,361 | 11,435,086 |
| Due to customers | 16 | 43,151,064 | 42,715,252 |
| Liabilities at fair value through profit or loss | 17 | 133,103 | - |
| Derivative financial instruments - liabilities | | 385,336 | 402,233 |
| Debt securities in issue | 18 | 432,322 | 435,277 |
| Current income tax liabilities | | 4,808 | 2,437 |
| Deferred tax liabilities | | 34,455 | 34,432 |
| Retirement benefit obligations | | 193,866 | 194,162 |
| Other provisions | 19, 20 | 266,379 | 52,959 |
| Other liabilities | | 822,513 | 959,670 |
| Liabilities from discontinued operations | 9 | 1,446,434 | 1,640,856 |
| **TOTAL LIABILITIES** | | **55,716,642** | **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 | (648) | (379) |
| Other reserves | 22 | 20,583 | 11,022 |
| Retained earnings | 22 | (10,036,832) | (8,326,871) |
| **Capital and reserves attributable to equity holders of the parent entity** | | **7,717,746** | **9,418,415** |
| Non controlling interest | | 124,282 | 125,782 |
| **TOTAL EQUITY** | | **7,842,028** | **9,544,198** |
| **TOTAL LIABILITIES AND EQUITY** | | **63,558,670** | **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 | - | - | - | - | 9,864 | - | 9,864 | (11) | 9,853 |
| Profit/ (loss) after tax for the period 1/1 - 31/3/2017 | 22 | - | - | - | - | - | (7,456) | (7,456) | (356) | (7,811) |
| **Total recognized income for the period 1/1 - 31/3/2017** | | **0** | **0** | **0** | **0** | **9,864** | **(7,456)** | **2,409** | **(366)** | **2,042** |
| (Purchases)/ sales of treasury shares | 21, 22 | - | - | - | (393) | - | 36 | (357) | - | (357) |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | (1,134) | 1,134 | - | - | 0 |
| Movement in participating interest | 22 | - | - | - | - | - | (1,618) | (1,618) | (24,676) | (26,294) |
| **Balance as at 31 March 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(1,235)** | **(57,115)** | **(8,012,236)** | **9,664,057** | **135,074** | **9,799,131** |
| | | | | | | | | | | |
| **Opening balance as at 1 April 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(1,235)** | **(57,115)** | **(8,012,236)** | **9,664,057** | **135,074** | **9,799,131** |
| Other comprehensive income, net of tax | | - | - | - | - | 71,116 | - | 71,116 | 125 | 71,241 |
| Profit/ (loss) after tax for the period 1/4 - 31/12/2017 | 22 | - | - | - | - | - | (192,940) | (192,940) | (3,554) | (196,494) |
| **Total recognised income for the period 1/4 - 31/12/2017** | | **0** | **0** | **0** | **0** | **71,116** | **(192,940)** | **(121,824)** | **(3,429)** | **(125,253)** |
| 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 | - | - | - | 856 | - | (119) | 737 | - | 737 |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | (2,979) | 2,979 | - | - | 0 |
| Disposals, liquidations and movement in participating interest | 22 | - | - | - | - | - | (7,074) | (7,074) | (5,838) | (12,911) |
| **Balance as at 31 December 2017** | | **2,619,955** | **13,074,688** | **2,040,000** | **(379)** | **11,022** | **(8,326,871)** | **9,418,415** | **125,783** | **9,544,198** |
| | | | | | | | | | | |
| **IFRS 9 Transition impact on Equity** | 3 | **0** | **0** | **0** | **0** | **39,680** | **(1,632,376)** | **(1,592,696)** | **(31)** | **(1,592,727)** |
| | | | | | | | | | | |
| **Opening balance as at 1 January 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **(379)** | **50,702** | **(9,959,247)** | **7,825,719** | **125,752** | **7,951,471** |
| Other comprehensive income, net of tax | 12, 22 | - | - | - | - | (26,770) | - | (26,770) | (17) | (26,787) |
| Profit/ (loss) after tax for the period 1/1 - 31/3/2018 | 22 | - | - | - | - | - | (81,604) | (81,604) | (1,452) | (83,055) |
| **Total recognised income for the period 1/1 - 31/3/2018** | | **0** | **0** | **0** | **0** | **(26,770)** | **(81,604)** | **(108,373)** | **(1,469)** | **(109,842)** |
| (Purchases)/ sales of treasury shares | 21, 22 | - | - | - | (269) | - | 61 | (207) | - | (207) |
| Transfer between other reserves and retained earnings | 22 | - | - | - | - | (89) | 89 | - | - | 0 |
| Disposals, liquidations and movement in participating interest | 22 | - | - | - | - | (3,261) | 3,868 | 607 | - | 607 |
| **Balance as at 31 March 2018** | | **2,619,955** | **13,074,688** | **2,040,000** | **(648)** | **20,583** | **(10,036,832)** | **7,717,746** | **124,282** | **7,842,028** |



The notes on pages 7 to 72 form an integral part of the consolidated interim financial information.

Amounts in thousand euros (Unless otherwise stated)

| CONSOLIDATED INTERIM CASH FLOW STATEMENT | Period from 1 January to 31 March 2018 | 31 March 2017 |
|---|---|---|
| *Cash flows from operating activities from continuing operations* | | |
| Profit/ (Loss) before tax | (116,502) | (14,894) |
| *Adjustments to profit/ loss before tax:* | | |
| Add: provisions and impairment | 172,867 | 267,491 |
| Add: depreciation and amortisation charge | 27,897 | 24,989 |
| Add: retirement benefits and cost of voluntary exit scheme | 135,468 | 1,040 |
| (Gains)/ losses from valuation of financial instruments at fair value through profit or loss | 22,782 | (800) |
| (Gains)/ losses from investing activities | (6,361) | 6,176 |
| *Cash flows from operating activities before changes in operating assets and liabilities* | 236,151 | 284,003 |
| *Changes in operating assets and liabilities:* | | |
| Net (increase)/ decrease in cash and balances with Central Banks | (37,891) | (16,557) |
| Net (increase)/ decrease in financial instruments at fair value through profit or loss | (251,316) | (11,305) |
| Net (increase)/ decrease in financial assets mandatorily at fair value through profit or loss | (101) | - |
| Net (increase)/ decrease in debt securities - receivables | - | 2,720,719 |
| Net (increase)/ decrease in loans and advances to credit institutions | 170,183 | 101,674 |
| Net (increase)/ decrease in loans and advances to customers | 1,671,006 | 1,995,867 |
| Net (increase)/ decrease in reverse repos with customers | 23,152 | 5,235 |
| Net (increase)/ decrease in other assets | (107,512) | (8,541) |
| Net increase/ (decrease) in amounts due to credit institutions | (2,588,725) | (3,362,626) |
| Net increase/ (decrease) in liabilities at fair value through profit or loss | 133,142 | 11,051 |
| Net increase/ (decrease) in amounts due to customers | 435,812 | (1,357,003) |
| Net increase/ (decrease) in other liabilities | (54,447) | (70,527) |
| *Net cash flow from operating activities before income tax payment* | (370,544) | 291,990 |
| Income tax paid | (3) | (3) |
| **Net cash inflow/ (outflow) from continuing operating activities** | **(370,547)** | **291,986** |
| *Cash flows from investing activities of continuing operations* | | |
| Purchases of property and equipment | (52,052) | (27,209) |
| Sales of property and equipment and intangible assets | 4,021 | 497 |
| Purchases of intangible assets | (4,252) | (5,967) |
| Purchases of assets held for sale | - | (2,145) |
| Sales of assets held for sale | - | 3 |
| Purchases of financial assets at fair value through other comprehensive income | (214,443) | - |
| Disposals of financial assets at fair value through other comprehensive income | 543,609 | - |
| Purchases of investment securities | - | (1,643,773) |
| Disposals/ maturity of investment securities | - | 1,335,477 |
| Disposals of subsidiaries excluding cash & cash equivalents disposed | 82,045 | - |
| Participation in share capital increases of associates | - | (119) |
| Dividends received | 7 | 154 |
| **Net cash inflow/ (outflow) from continuing investing activities** | **358,935** | **(343,083)** |
| *Cash flows from financing activities of continuing operations* | | |
| Net proceeds from issue/ (repayment) of debt securities and other borrowed funds | (7,067) | (5,925) |
| Purchases/ sales of treasury shares and preemption rights | (207) | (357) |
| **Net cash inflow/ (outflow) from continuing financing activities** | **(7,274)** | **(6,282)** |
| Effect of exchange rate changes on cash and cash equivalents | (9,654) | (1,647) |
| **Net increase/ (decrease) in cash and cash equivalents from continuing activities (A)** | **(28,539)** | **(59,026)** |
| Net cash flows from discontinued operating activities | 3,081 | 30,611 |
| Net cash flows from discontinued investing activities | (83,353) | (55,697) |
| Net cash flows from discontinued financing activities | - | - |
| Exchange difference of cash and cash equivalents | (700) | (1,923) |
| **Net incease/ (decrease) in cash and cash equivalents from discontinued activities (B)** | **(80,972)** | **(27,009)** |
| **Cash and cash equivalents at the beginning of the period (C)** | **4,187,509** | **1,537,128** |
| **Cash and cash equivalents at the end of the period (A) + (B) + (C)** | **4,077,997** | **1,451,093** |

**Amounts in thousand euros** (Unless otherwise stated)

# 1 General information about the Group

Piraeus Bank S.A. (the “Bank”) is a banking institute 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. 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 in total 17,831 people of which 2,615 people, refer to discontinued operations (Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D., Piraeus Leasing Doo Beograd, Sentinel Advisors S.A. - former ATE Insurance Romania S.A. and IMITHEA S.A.).

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

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

| | |
|---|---|
| George P. Handjinicolaou | Chairman (Non-Executive Member) |
| Karel G. De Boeck | Vice-Chairman of the Board of Directors (Independent Non-Executive Member) |
| Christos I. Megalou | Managing Director (Executive Member) |
| George G. Georgakopoulos | Executive Member |
| Venetia G. Kontogouri | Independent Non-Executive Member |
| Arne S. Berggren | Independent Non-Executive Member |
| Enrico Tommaso C. Cucchiani | Independent Non-Executive Member |
| David R. Hexter | Independent Non-Executive Member |
| Solomon A. Berachas | Non-Executive Member |
| Alexander Z. Blades | Non-Executive Member |
| Per Anders J. Fasth | Representative of the Hellenic Financial Stability Fund pursuant to the provisions of L. 3864/2010 (Non – Executive Member) |

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

# 2 Summary of significant accounting policies of the Group

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

### 2.1 Basis of preparation of the consolidated interim financial information

The consolidated interim financial information for the Q1 2018 (the “Consolidated Interim Financial Information”) has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”.

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

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

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

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

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

### 2.2 Going concern

<u>Conclusion</u>

Management has concluded, after taking into account the factors mentioned below, regarding the macroeconomic environment, the Group’s liquidity and capital adequacy, that the Consolidated Interim Financial Information has been appropriately prepared on a going concern basis as of 31 March 2018.

Macroeconomic environment

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

In the framework of the 3rd financial adjustment programme in 2017, a range of short-term debt relief measures were implemented and the second review was completed with success. Besides, in Q1 2018 the completion of the third review was achieved and a first disbursement of € 5.7 billion (under a total of € 6.7 billion of the 4th tranche) was approved. Moreover, in the beginning of 2018 Moody's, S&P and Fitch raised Greece's credit risk rating to "B3", "B" and "B" respectively maintaining the positive Outlook.

In 2017, the economic sentiment indicator (ESI) improved to 96.8 points from 91.9 points in 2016, at the highest level in the last three years. In addition, ESI is in an upward trend, at 102.4 points in the first four months of 2018. Real GDP in 2017 increased on average by 1.4% on an annual basis (by 1.3% according to seasonally adjusted data), enhancing growth prospects of the economy. Moreover, based on the average non-seasonally adjusted data, the unemployment rate fell to 21.5% from 23.5% in 2016, with a 2.2% increase in employment in 2017. Labor market data is still improving as, in January 2018, seasonally adjusted unemployment rate declined to 20.6% and employment increased by 2.7% on a yearly basis. Furthermore, in the first two months of 2018, data is encouraging in tourism, as travel receipts increased by 4.2%. In fact, 2017 was a new tourism record year, as travel receipts rose to € 14.6 billion (€ 14.1 billion in the previous record year, 2015), driven by a 10.5% annual increase. Finally, the general government balance showed a surplus of € 1.5 billion (compared with € 1.1 billion in 2016) for the second consecutive year, accounting for 0.8% of GDP (0.6% in 2016). The primary result (excluding the impact of the support to financial institutions) reached the 4.0% of GDP, while under the Economic Adjustment Programme definition, the primary result is estimated at 4.2% of GDP, exceeding the 1.75% target that has been set.

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

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

Liquidity

During Q1 2018, domestic market deposits (private and public sector,) increased by 2% to € 140.5 billion. The exposure of all Greek banks in the Eurosystem was reduced from € 33.7 billion as at 31 December 2017 to € 24.8 billion as at 31 March 2018, of which € 13.6 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 € 11.3 billion from ECB's Main Refinancing Operations and ECB's Targeted Longer-Term Refinancing Operations II ("TLTRO II").

During Q1 2018, the Piraeus Bank Group's exposure to the Eurosystem reduced by € 3.6 billion to € 6.1 billion as at 31 March 2018 compared to € 9.7 billion as at 31 December 2017, mainly assisted by the increase of deposits, the enhanced access to international repo markets, further deleveraging of the loan portfolio and the Bank´s participation in ESM's bond exchange program with cash (€ 1.5 billion). Piraeus Bank's financing through the ELA was reduced by € 3.6 billion during the period 1/1-31/3/2018 and amounted to € 2.1 billion as at 31 March 2018 versus € 5.7 billion as at 31 December 2017. It is noted that during Q1 2018, the deposits of the Piraeus Bank Group in Greece increased by € 0.5 billion or 1.3%.

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

Furthermore, Greek banks can participate in the TLTRO, getting the benefit associated with the TLTRO II programme announced on 10 March 2016 by the ECB, subject to sufficient eligible collateral. The duration of the TLTRO II is four years, while Piraeus Bank participated only in the first auction on 23 June 2016 with € 4.0 billion, shifting at the same time the € 2.7 billion of TLTRO I to TLTRO II.

<u>Capital adequacy</u>

The Common Equity Tier 1 (CET1) ratio of the Group as at 31 March 2018 stood at the satisfactory level of 14.0% versus 15.1% as at 31 December 2017 or 15.0% as at 1 January 2018 including IFRS 9 first time adoption impact.

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 year-end 2020.

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

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

The following new standards, the amendments and improvements in IFRSs have been issued by the IASB, have been endorsed by the European Union and they are effective from 1/1/2018.

**IFRS 9, "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2018).** IFRS 9 "Financial instruments" 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 today. 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 elected to retain the IAS 39 hedge accounting requirements.

The Group has fully implemented IFRS 9 as at 1 January 2018, without restating the relevant comparatives and with all the required transitional disclosures being made. Relevant information on IFRS 9 transitional disclosures is provided in Note 3 of the Consolidated Interim Financial Information as at 31/3/2018.

**IFRS 15, "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).** This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new standard shall be applied to all contracts with customers, except those that are in scope of other standards, such as financial leases, insurance contracts and financial instruments. According to the new standard, an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration. A new revenue recognition model is introduced, by applying five basic steps, which include: identification of the contract, 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 and the revenue recognition. 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 the adoption of the standard does not have a material effect to the Consolidated Interim Financial Statements.

**IFRS 15 (Amendment) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).** The amendment clarifies specific guidance on identifying performance obligations, the principal versus agent assessment and accounting for licenses of intellectual property.

**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 also the accounting for modifications that change an award from cash-settled to equity-settled. Also, 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 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 from applying IFRS 9 until 2021.

**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.

**IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).** The amendment allows companies to measure symmetrical options which include prepayable features with negative compensation at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss.

**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.

**<u>Annual Improvements to IFRSs 2014-2016 (December 2016)</u>**

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

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

These improvements and amendments do not significantly affect the interim financial information for the period 1/1-31/3/2018.

### 2.4 Amendments to accounting policies due to IFRS 9 implementation

#### 2.4.1 Basis of preparation

IFRS 9 'Financial Instruments' was adopted on 1 January 2018. This excludes the adoption of 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)' which is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, until the micro-hedging project is finalized, which the Piraeus Bank Group has exercised.

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

All recognized financial assets under IAS 39 were 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.

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/product basis in case of non-standardized loans or in groups with common characteristics in case of standardized products.

The classification and measurement of financial liabilities remained essentially unchanged from the previous IAS 39 classification. The only exception is that IFRS 9 requires that changes in the fair value of those instruments 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 Consolidated Income Statement.

### 2.4.3 Summary of significant accounting policies

Set out below are the new or substantially revised accounting policies implementing IFRS 9, which replace the IAS 39 policies, which were in place until 31/12/2017. The accounting policies on hedge accounting and derivatives are substantially unchanged and are not repeated. The following policies will substantially replace existing policies as disclosed in the 2017 Annual Financial Statements.

**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 assessment is not determined by a single factor or activity. Rather, the Group 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 the 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 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 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 determine if evidence initially used, has changed.

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 Bank reclassifying the financial assets'. This does not give rise to a prior period error in the Bank's consolidated 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 the Group 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.

**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 test).**

For the purposes of applying the contractual cash flow characteristics test, the principal is 'the fair value of the 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 asset if it could have only a de minimis effect on the contractual cash flows of the financial asset.

In addition, if a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis (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 the Group classifies a financial asset at 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, unless the asset is substantially modified that it is derecognized.

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

The financial assets, after initial recognition, are measured at the amortised cost less impairment allowance. Interest is calculated using the effective interest method. Initial impairment allowance and subsequent changes are recognized in Consolidated Income Statement.

Loans and advances to customers that are not 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 them on different bases.

**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) for the analysis).

A “hold to collect and sell” business model applies when key management personnel have 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, the Group considers:

- If the business model will typically involve greater frequency and value of sales than a hold to collect model,
- If there are various objectives that may be consistent with this type of business model, such as:
    - when the objective of the business model may be to manage everyday liquidity needs,
    - to maintain a particular interest yield profile,
    - 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, the Group should reassess 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 ‘hold to collect’ 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. Reclassification would be required only if the original business model assessment was made in error, or IFRS 9’s strict conditions for reclassification of financial assets on change in business model are met.

The financial assets, after initial recognition, are measured at fair value through OCI. In P&L, the Group recognizes the interest calculated using the effective interest method, the impairment allowance and subsequent changes and the foreign exchange gains and losses. On the date of derecognition or reclassification to the FVTPL category, the cumulative FV gains/ losses of debt financial assets are reclassified from equity to profit or loss as a reclassification adjustment.

**ii. Equity instruments**

Namely to equity instruments, the Group 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, on equity instruments, in contrast to the FVTOCI debt instruments:

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

Only dividend income on such equity instruments is recognized in profit or loss, 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), recognised in other comprehensive income.

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

In this category, a financial asset is classified as subsequently measured at fair value, with changes in fair value recognized in the Consolidated Income Statement.

Financial assets that do not meet the criteria for classification at either amortised cost or fair value through other comprehensive income, are measured at fair value through profit or loss.

In addition, it is possible to designate a financial asset at FVTPL in certain circumstances. Specifically, at initial recognition, the Group may designate a financial asset as measured at FVTPL that would otherwise be measured subsequently at amortised cost or at fair value through other comprehensive income. Such an election is, however, irrevocable and such designation can only be made if it eliminates or significantly reduces an accounting mismatch (measurement or recognition inconsistency) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. There is no requirement to apply the choice consistently to all similar transactions, instead the Group has this option if it results in more relevant information.

**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 will reflect 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) will be recognized for all financial assets for which there is no significant increase in credit risk since initial recognition.

For financial assets a) which there is a significant increase in credit risk 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” (allocated to Stage 3), an impairment loss equal to lifetime expected credit losses will be recognized. The Bank 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.

- Unlikeliness to Pay (UTP) criterion: The Group considers that the obligor is unlikely to pay its credit obligations to the Bank, or any of its subsidiaries.

The determination of a significant increase in credit risk takes into account many different factors and will vary 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. The Group measures and assesses significant increase in credit risk, by comparing the risk of default at "initial recognition date" with the risk of default at "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**

The Group derecognizes a financial asset in the following cases:
- the contractual rights to the cash flows from the asset expire, or
- the Group 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.

The Group 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 the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group must derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

It is a common practice, to proceed in the 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 on a financial asset are modified, the Group assesses whether the rights over the cash flows have expired and thus the financial asset should be derecognized.

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

Further to the above, the Group 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 by the Consolidated Income Statement. In addition, any cumulative gain or loss in respect of that asset which was previously recognized, in OCI should be reclassified from equity to the Consolidated Income Statement if the 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 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 purchased or originated credit-impaired financial assets).

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

IFRS 15 replaces the existing accounting framework for recognition of revenues, which includes IAS 18 Revenue, IAS 11 Construction Contracts and the relevant interpretations. This standard establishes the principles that shall be applied 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 five basic steps, which includes: identification of the contract, 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 and the revenue recognition. 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.

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

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.

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 Transitional Disclosures on IFRS 9 "Financial Instruments"

On 1 January 2018, the Piraeus Bank Group implemented the requirements of IFRS 9 'Financial Instruments'. These Transitional Disclosures to IFRS 9 'Financial Instruments' provide information relevant to understanding the impact of the new accounting standard on the Piraeus Bank Group's Consolidated Financial Position as at 1 January 2018.

The Transition Disclosures provide a bridge between IAS 39 'Financial Instruments: Recognition and Measurement', IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRS 9 'Financial Instruments' results. The Transitional Disclosures provide context for changes in the recognition of credit losses, changes in the classification and measurement of financial instruments on our Consolidated Statement of Financial Position and the resulting impact on regulatory capital.

The Group continues to test and refine the new accounting processes, internal controls and governance framework necessitated by the adoption of IFRS 9 'Financial Instruments'. Therefore, the estimation of the expected credit losses ('ECL') and related impacts remains subject to change until finalization of the 2018 Consolidated Financial Statements for the year ending 31 December 2018.

### 3.2 Estimated Impact of IFRS 9 "Financial Instruments"

The IFRS 9 estimated transition impact as at 1 January 2018 on the Consolidated Financial Statements of Piraeus Bank Group amounted to € 1,619.9 million and is analyzed as follows:

| € million | 1 Jan 2018 |
|---|---|
| A decrease from additional impairment allowances – continuing operations | 1,562.7 |
| 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 |
| **Net effect of IFRS 9 Transition Impact on Total Equity** | **1,593.4** |
| ECL impact of AFS bond portfolio measured at FVTOCI | 27.1 |
| Deferred tax | (0.6) |
| **Total Estimated IFRS 9 Transition Impact** | **1,619.9** |

The Group has not recognized a deferred tax asset on the net IFRS 9 transition 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 currently considered recoverable. The unrecognised deferred tax asset would have amounted to € 461.5 million.

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. The first interim Consolidated Financial Statements under IFRS 9 is for the quarter ended 31 March 2018.

### 3.3. Estimated Impact on Regulatory Capital

| Key capital metrics | At | | |
|---|---|---|---|
| | 31 Dec 2017 IAS 39 | 1 Jan 2018 IFRS 9 Transitional | 1 Jan 2018 IFRS 9 Fully loaded |
| Common Equity Tier 1 Capital | 7,710,725 | 7,626,561 | 5,535,271 |
| Tier 1 Capital | 7,710,725 | 7,626,561 | 5,535,271 |
| Total Capital | 7,710,725 | 7,626,561 | 5,535,271 |
| **Total risk weighted assets (on and off- balance sheet items) (€ thousand)** | **50,985,761** | **50,830,403** | **48,997,118** |
| Capital ratios (%)[1] | | | |
| Common Equity Tier 1 Capital ratio | 15.1 % | 15.0 % | 11.3 % |
| Tier 1 Capital ratio | 15.1 % | 15.0 % | 11.3 % |
| Total Capital ratio | 15.1 % | 15.0 % | 11.3 % |
| Leverage Ratio | 11.7% | 11.3% | 8.7% |

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

Piraeus Bank Group following the adoption of IFRS 9 remained satisfactorily capitalized, based on the estimated transition impact, which resulted in a 12 bps decrease in the Common Equity Tier 1 ratio, applying the EU regulatory transitional arrangements, and a 371 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 estimated IFRS 9 impact due to expected credit loss provisions during the first five years of use. The proportion that banks may add back starts at 95% in 2018 and reduces gradually to 25% in 2022 and then to 0% by 2023.

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

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

### 3.5 Impact on Governance and Internal Controls

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

On the basis of its existing governance framework, Management has ensured that the appropriate internal controls and validations are in place over the key processes and judgments to determine the ECL. As part of the implementation, Management has refined its existing internal controls and implemented new internal controls and processes where required in areas that are impacted by IFRS 9. 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 Risk Management 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 Consolidated Statement of Financial Position presentation as of 31 December 2017

The table below illustrates the new Statement of Financial Position presentation of assets and liabilities as of 31 December 2017 in comparison with the presentation in the 2017 Annual Financial Report. The table does not reflect any of the effects of adopting the classification and measurement requirements of IFRS 9, which are presented in Note 3.7 under Reclassification and remeasurement of carrying amounts and recognition of ECL upon 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 | 3, 6, 5, 7 | 1,499,824 | 1,503,834 |
| Financial assets mandatorily at fair value through profit or loss | 3, 4 | - | 134,438 |
| Derivative financial instruments - assets | 2, 6, 7, 8 | 459,993 | 472,015 |
| Reverse repos with customers | | 90,253 | 90,253 |
| Loans and advances to customers at amortised cost | 1 | 44,719,530 | 44,601,656 |
| Loans and advances to customers mandatorily at fair value through profit or loss | 1, 2 | - | 123,351 |
| Financial assets at fair value through other comprehensive income | 9 ,10 | - | 2,070,965 |
| Available for sale securities | 4, 8, 9, 10 | 2,203,803 | - |
| Debt securities - receivables | 5 | 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 | 11 | 11,022 | 23,592 |
| Retained earnings | 11 | (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 Loans and advances to customers at amortised cost of € 117,874 thousand to Loans and advances to customers mandatorily at FVTPL. |
| **2** | Reclassification from Derivative financial instruments – assets of € 5,477 thousand to Loans and advances to customers mandatorily at FVTPL. |
| **3** | Reclassification from Financial assets as FVTPL of € 23,579 thousand to financial assets mandatorily at FVTPL. |
| **4** | Reclassification from Available for sales securities (equity securities) of € 110,859 thousand to financial assets mandatorily at FVTPL. |
| **5** | Reclassification from Debt securities – receivables of € 23,109 thousand to Financial assets at FVTPL |
| **6** | Reclassification from Derivative financial instruments – assets of € 4,515 thousand to Financial assets at FVTPL |
| **7** | Reclassification from Financial assets at FVTPL of € 35 thousand to Derivative financial instruments – assets. |
| **8** | Reclassification from Available for sales securities of € 21,979 thousand to Derivatives financial instruments – assets. |
| **9** | Reclassification from Available for sales securities (debt securities) of € 1,902,230 thousand to Financial assets at FVTOCI |
| **10** | Reclassification from Available for sales securities (equity securities) of € 168,735 thousand to Financial assets at FVTOCI |
| **11** | Reclassification from Available for sales securities reserve of € 12,570 thousand 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 | Reclassifications | Remeasurements | IFRS 9 carrying amount 1/1/2018 |
|---|---|---|---|---|---|
| **Financial assets at amortised cost under IFRS 9** | | | | | |
| **Cash and balances with Central Banks** | Amortised Cost | | | | |
| Closing balance 31/12/2017 | | 1,449,240 | | | |
| Remeasurement (ECL allowance) | | | | (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 | | | |
| Remeasurement (ECL allowance) | | | | (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 | | | |
| Reclassification to financial assets at FVTPL | | | (117,874) | | |
| Remeasurement (ECL allowance) | | | | (1,408,773) | |
| **Opening balance 1/1/2018** | | | | | **43,192,883** |
| **Debt securities - receivables** | Amortised Cost | | | | |
| Closing balance 31/12/2017 | | 23,109 | | | |
| Reclassification to financial assets at FVTPL | | | (23,109) | | |
| **Opening balance 1/1/2018** | | | | | **0** |
| **Reverse repos with customers** | Amortised Cost | | | | |
| Closing balance 31/12/2017 | | 90,253 | | | |
| Remeasurement (ECL allowance) | | | | (158) | |
| **Opening balance 1/1/2018** | | | | | **90,095** |
| **Total financial assets measured at amortised cost under IFRS 9** | | **48,429,890** | **(140,983)** | **(1,408,990)** | **46,879,918** |

**Amounts in thousand euros** (Unless otherwise stated)

| | IAS 39 measurement | IAS 39 carrying amount 31.12.2017 | Reclassifications | Remeasurements | 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 | | | |
| Reclassification to Derivative financial instruments - assets | | | (35) | | |
| Reclassification from Derivative financial instruments - assets | | | 4,515 | | |
| Reclassification from Debt securities receivables | | | 23,109 | | |
| Remeasurement due to reclassifications | | | | (8,943) | |
| **Opening balance 1/1/2018** | | | | | **1,494,891** |
| **Equity securities** | Fair value through PL | | | | |
| Closing balance 31/12/2017 | | 23,579 | | | |
| Reclassification from Investment Securities (Equity securities available for sale) | | | 110,859 | | |
| **Opening balance 1/1/2018** | | | | | **134,439** |
| **Derivative financial instruments - assets** | Fair value through PL | | | | |
| Closing balance 31/12/2017 | | 459,993 | | | |
| Reclassification from Debt securities at FVTPL (Trading portfolio) | | | 35 | | |
| Reclassification from Available for sale securities | | | 21,979 | | |
| Reclassification to FVTPL (Loans and advances to customers) | | | (5,477) | | |
| Reclassification to FVTPL (Debt securities) | | | (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 | | |
| Reclassification from Derivative financial instruments - assets (at FVTPL) | | | 5,477 | | |
| Remeasurement due to reclassifications | | | | (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 | Reclassifications | Remeasurements | IFRS 9 carrying amount 1/1/2018 |
|---|---|---|---|---|---|
| **Financial assets at FVTOCI under IFRS 9** | | | | | |
| **Available for sale securities** | Fair value through AFS Reserve | | | | |
| Closing balance 31/12/2017 | | 2,203,803 | | | |
| Reclassification to: Financial assets at FVTOCI (debt securities) | | | (1,902,230) | | |
| Reclassification to: Financial assets at FVTOCI (equity securities) | | | (168,734) | | |
| Reclassification to: Financial assets at FVTPL | | | (110,859) | | |
| Reclassification to Derivative financial instruments - assets | | | (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 | | |
| **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 | | |
| **Opening balance 1/1/2018** | | | | | **168,734** |
| **Total financial assets measured at FVTOCI under IFRS 9** | | **2,203,803** | **(132,838)** | | **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 and € 12.1 million as at 31/3/2018.

**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 estimated 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) | Remeasurements | 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) | (1,408,773) | (16,787,130) |
| Debt securities- receivables | Amortised Cost | Amortised Cost | - | - | 0 |
| Reverse repos with customers | Amortised Cost | Amortised Cost | - | (158) | (158) |
| Investment securities (debt securities) | Fair value through AFS Reserve | FVTOCI | - | (27,111) | (27,111) |
| **Total** | | | **(15,378,357)** | **(1,436,100)** | **(16,814,457)** |
| 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** | | | | **(153,694)** | **(153,694)** |

**Amounts in thousand euros** (Unless otherwise stated)

### 3.9 IFRS 9 estimated impact on equity

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

| | 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 | (1,595,200) |
| Deferred tax | 646 |
| **Opening balance under IFRS 9 (1 January 2018)** | **(9,959,277)** |

In the movement of Retained Earnings, in "Recognition of expected credit losses under IFRS 9" the estimated impact of IFRS 9 adoption 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)** | **(11,789,408)** | **(12,252,104)** | **15,063** | **(207,386)** | **(644,101)** | **(836,424)** |
| **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)** | **(15,726,452)** | **(16,787,130)** | **51,242** | **(504,100)** | **(955,915)** | **(1,408,773)** |

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

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

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

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

The allowance for impairment on loans and advances to customers represent Management's best estimate of impairment losses incurred in the loans and advances to customer's at each reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating the allowance for impairment on loans and advances to customers on both individually and collectively assessed loans and advances to customers.

The estimation methods include the use of statistical analyses of historical information, supplemented with significant judgements made by Management, to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than historical experience.

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

For the individual assessment of the allowance on loans and advances to customers, judgement is required in determining whether there is objective evidence that a loss event has occurred and, if so, the measurement of the allowance for impairment on loans and advances to customers required. In determining whether there is objective evidence that a loan loss event has occurred, judgement is exercised in evaluating all relevant information, including the consideration of whether payments are contractually past due and the consideration of other factors indicating deterioration in the financial condition and outlook of borrowers, affecting their ability to pay.

A higher level of judgement is required for loans to borrowers showing signs of financial difficulty in market sectors experiencing economic stress, particularly where the likelihood of repayment is affected by the prospects for refinancing or the sale of a specified asset. For those loans where objective evidence of impairment exists, Management determines the size of the allowance for impairment required.

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

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

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

Loans that do not meet the criteria for classification at amortised cost, as the contractual terms of the loans don't give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test), are measured at fair value through profit or loss (SPPI fails).

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

### 4.3 Recoverability of Deferred Tax Assets

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

Management's estimates for the future tax results of the Group and 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 recently approved by BoD Business Plan, are based on the assumptions related to the Greek economy prospect, as well as on other actions or amendments already implemented, improving the evolution of the future profitability.

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

Relative to the provisions of Law 4172/2013 for deferred tax assets is Note 10 of the Consolidated Interim Financial Information.

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

### 4.4 Fair value of investments measured at FVTPL

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

For the determination of the fair value of shares that are not traded in an active market, generally accepted valuation models and techniques are used, such as: discounted cash flow models, estimation of options, comparable transactions, estimation of the fair value of assets (i.e. fixed assets) and net asset value. The Group, based on prior experience, adjusts if necessary, the relevant values in order to reflect the current market conditions.

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

The fair value of derivative financial instruments that are traded over the counter (OTC), with banking counterparties, is determined by using commonly accepted valuation models.

These valuation models use observable data. Where this is not possible, estimates and assumptions are required by Management concerning the parameters that affect the fair value of derivatives. These assumptions and estimates are assessed regularly and when market conditions change significantly.

The fair value for derivative financial instruments includes adjustments for the credit risk in a bilateral derivative transaction (CVA/ DVA).

The calculation of credit adjustments takes into account the future expected credit exposure, which is estimated using simulation techniques for the derivatives' future fair values, in combination with the currently in force netting agreements and collateral held (as per the ISDA-CSA contracts in force).

In addition, the calculation of credit adjustments is also based on loss given default (LGD) rates as well probability of default (PD) curves, as these are derived from the purchase prices of the Credit Default Swap Market.

In case that the aforementioned prices are not available from the CDS market, or the available market prices are not reliable due to very low liquidity, the relevant calculation is based on proxy credit curves and LGD rates, approved by the Bank's management.

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

### 4.6 Impairment of associate companies and joint ventures

Impairment testing of investments in 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. The Group tests for impairment the investments in associate companies and joint ventures, comparing the recoverable amount of the investment with its carrying amount. If during this assessment, a permanent impairment occurs, the amount of the impairment loss is posted directly to the Consolidated 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 associate company or the joint venture.

Amounts in thousand euros (Unless otherwise stated)

### 4.7 Estimation of fair value of investment property

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

Fair value is based on active market prices or is adjusted, if necessary, for any difference in the nature, location and condition of the specific investment property. If this information is not available, valuation methods, as described in Note 2.21 of the Annual consolidated 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 Greek public sector

Piraeus Bank's Management makes significant estimates and assumptions regarding the progress of the Greek economy. The economic situation in Greece creates uncertainties that may affect the creditworthiness of the Greek public sector. Reference to the Management's estimates concerning the economic developments is made in Note 2.

As at 31 March 2018, the total carrying value of the Group’s receivables from Greek Public Sector was as follows:

| | 31/3/2018 | 31/12/2017 |
|---|---|---|
| Derivative financial instruments - assets | 284,004 | 284,395 |
| Bonds and treasury bills at fair value through profit or loss | 239,384 | 8,006 |
| Loans to Public sector | 374,313 | 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 fair value through other comprehensive income | 1,327,890 | - |
| Other Assets | 518,953 | 508,045 |
| **Total** | **2,744,544** | **4,230,716** |

The movement in loans to Public sector of € 1.4 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 fair value through other comprehensive income”.

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 Consolidated Statement of Financial Position at fair value.

| | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Assets | 31 March 2018 | 31 December 2017 | 31 March 2018 | 31 December 2017 |
| Loans and advances to credit institutions | 3,531,965 | 2,147,758 | 3,533,023 | 2,147,773 |
| Loans and advances to customers at amortised cost | 41,357,525 | 44,719,530 | 40,772,381 | 43,860,463 |
| Debt securities - receivables | - | 23,109 | - | 22,586 |
| Reverse repos with customers | 67,101 | 90,253 | 67,112 | 90,254 |

| | Carrying Value | | Fair Value | |
|---|---|---|---|---|
| Liabilities | 31 March 2018 | 31 December 2017 | 31 March 2018 | 31 December 2017 |
| Due to credit institutions | 8,846,361 | 11,435,086 | 8,846,682 | 11,435,086 |
| Due to customers | 43,151,064 | 42,715,252 | 43,150,996 | 42,715,252 |
| Debt securities in issue | 432,322 | 435,277 | 365,801 | 407,930 |
| Obligations under finance leases | 71,872 | 72,542 | 71,872 | 72,542 |

The fair values of loans and advances to credit institutions, reverse repos with customers and due to credit institutions, 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 they 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.

Fair value for debt securities – receivables as at 31/12/2017 was estimated using quoted market prices. Where this information is not available, fair value has been estimated using the prices of securities with similar credit, maturity and yield characteristics, or by discounting cash flows.

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

The fair value of obligations under finance leases, which are measured according to IAS 17, has been calculated using a discounted cash flow model taking into account yield curves and any adjustments for credit risk.

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

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

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

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

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, 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

The embedded derivatives of the convertible bonds are included in Level 3 of derivative financial assets/ liabilities.

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

Financial assets (loans and advances to customers and convertible bonds) mandatorily at fair value through profit or loss

The convertible bonds and the loans and advances to customers that fail the SPPI test are mandatorily classified at fair value through profit or loss and are included in Level 3. The fair value of the convertible bonds 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 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:

**Amounts in thousand euros** (Unless otherwise stated)

| Assets & Liabilities measured at fair value as at 31/3/2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments - assets | - | 402,291 | 4,469 | **406,759** |
| Financial instruments at FVTPL | 317,435 | - | - | **317,435** |
| - Bonds | 128,848 | - | - | **128,848** |
| - Treasury bills | 172,356 | - | - | **172,356** |
| - Shares & other variable income securities | 16,231 | - | - | **16,231** |
| Financial assets mandatorily at FVTPL | 66,888 | - | 64,084 | **130,973** |
| - Bonds | - | - | 20,222 | **20,222** |
| - Shares & other variable income securities | 66,888 | - | 43,862 | **110,751** |
| Loans and advances to customers mandatorily at FVTPL | - | - | 108,182 | **108,182** |
| Financial assets at FVTOCI | 1,413,685 | 205,920 | 116,234 | **1,735,839** |
| - Bonds | 1,392,827 | 160,981 | - | **1,553,808** |
| - Shares & other variable income securities | 20,857 | 44,940 | 116,234 | **182,031** |
| **Liabilities** | | | | |
| Derivative financial instruments - liabilities | - | 348,797 | 36,540 | **385,336** |
| Liabilities at FVTPL | 133,103 | - | - | **133,103** |

| 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** |

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

For assets and liabilities valued at fair value on 31/3/2018 and 31/12/2017, no transfer from Level 1 to Level 2 and vice versa occurred during 2017 and in the period 1/1 - 31/3/2018.

**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 31/3/2018 and 31/12/2017:

| **Reconciliation of Level 3 items (for the period 1/1-31/3/2018)** | **Financial assets mandatorily at fair value through profit or loss** | **Loans and advances to customers mandatorily at fair value through profit or loss** | **Financial assets at fair value through other comprehensive income** | **Derivative financial instruments - assets** | **Derivative financial instruments - liabilities** |
|---|---|---|---|---|---|
| Closing Balance 31/12/2017 | 0 | 0 | 0 | 14,461 | 24,941 |
| Reclassification/Remeasurement due to IFRS 9 adoption | 62,544 | 107,011 | 115,746 | (9,992) | - |
| **Opening balance 1/1/2018** | **62,544** | **107,011** | **115,746** | **4,469** | **24,941** |
| Profit/ (loss) for the period | 1,540 | 1,172 | 84 | - | 11,598 |
| - Unrealized | 1,286 | 1,172 | - | - | 11,598 |
| - Realized | 254 | - | 84 | - | - |
| Other comprehensive income | - | - | 534 | - | - |
| Disposals/ Settlements | - | - | (130) | - | - |
| **Closing balance 31/3/2018** | **64,084** | **108,182** | **116,234** | **4,469** | **36,540** |

| **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 fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments - assets/liabilities:

| Sensitivity analysis of Level 3 hierarchy: | 31/3/2018 | |
|---|---|---|
| | Favourable changes | Unfavourable changes |
| **Income Statement** | | |
| Derivative financial instruments - assets | 225 | (225) |
| Financial assets mandatorily at fair value through profit or loss | 3,826 | (7,002) |
| Loans and advances to customers mandatorily at fair value through profit or loss | 86 | (81) |
| Derivative financial instruments - liabilities | 8,322 | (5,219) |
| **Equity Statement** | | |
| Financial assets at fair value through other comprehensive income | 13,765 | (7,836) |

| 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 embedded derivative as compared to its fair value as at 31/3/2018, will range between +5% in the scenarios of favorable changes and -5% in the scenarios of unfavorable changes for derivatives financial instruments – assets and between -23% in the scenarios of favorable changes and -14% in the scenarios of unfavorable changes for derivatives financial instruments – liabilities.

The estimation of the change in the value of the shares measured at fair value within Level 3 has been approached by various methods, such as:

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

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

The scenarios of favourable and unfouvarable changes in Loans and advances to customers mandatorily at fair value through profit or loss took into account changes in interest rates by +/- 10 basis points.

Amounts in thousand euros (Unless otherwise stated)

### 5.2 Credit Risk Management

**Loans and advances to customers at amortised cost**

It is noted that the amounts of loans and advances to customers at amortised cost before allowances for impairment on loans and advances to customers have been reduced by the fair value adjustment, in the context of the purchase price allocation exercise of the operations acquired. Specifically, the remaining allowance for impairment on loans and advances to customers of the Group amounting to € 5.6 billion as at 31/3/2018 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 Group amounted to € 8.1 billion, has increased the gross balance of loans and advances to customers and the allowance for impairment on loans and advances to customers respectively in the table below. As for purposes of credit risk monitoring in accordance with IFRS 7, the aforementioned adjustment is part of the allowance for impairment on loans and advances to customers.

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

| | 31/3/2018 | | | | |
|---|---|---|---|---|---|
| | 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 | 6,283,099 | 2,679,423 | 3,128,450 | 2,916,014 | 15,006,986 |
| Less: Allowance for impairment losses on loans and advances to customers | (6,611) | (200,229) | (970,714) | (806,130) | (1,983,684) |
| **Total Mortgages** | **6,276,488** | **2,479,193** | **2,157,736** | **2,109,885** | **13,023,302** |
| **Consumer/personal and other loans** | | | | | |
| Gross carrying amount | 941,223 | 733,093 | 1,149,450 | 1,514,830 | 4,338,597 |
| Less: Allowance for impairment losses on loans and advances to customers | (21,621) | (239,892) | (758,301) | (1,029,795) | (2,049,609) |
| **Total Consumer / personal and other loans** | **919,602** | **493,202** | **391,149** | **485,035** | **2,288,988** |
| **Credit cards** | | | | | |
| Gross carrying amount | 500,643 | 83,338 | 309,802 | 186,632 | 1,080,415 |
| Less: Allowance for impairment losses on loans and advances to customers | (2,188) | (7,550) | (262,191) | (162,956) | (434,886) |
| **Total Credit cards** | **498,456** | **75,787** | **47,610** | **23,675** | **645,529** |
| **Total Loans to individuals** | | | | | |
| Gross carrying amount | 7,724,966 | 3,495,854 | 4,587,702 | 4,617,476 | 20,425,998 |
| Less: Allowance for impairment losses on loans and advances to customers | (30,420) | (447,671) | (1,991,207) | (1,998,881) | (4,468,179) |
| **Total Loans to individuals** | **7,694,546** | **3,048,183** | **2,596,495** | **2,618,595** | **15,957,819** |
| **Loans to corporate entities and public sector** | | | | | |
| Gross carrying amount | 11,165,295 | 3,489,411 | 16,874,407 | 5,746,895 | 37,276,008 |
| Less: Allowance for impairment losses on loans and advances to customers | (118,515) | (295,042) | (8,391,131) | (3,071,614) | (11,876,302) |
| **Total Loans to corporate entities and public sector** | **11,046,780** | **3,194,369** | **8,483,276** | **2,675,281** | **25,399,706** |
| **Total loans and advances to customers** | | | | | |
| Gross carrying amount | 18,890,262 | 6,985,265 | 21,462,109 | 10,364,371 | 57,702,006 |
| Less: Allowance for impairment losses on loans and advances to customers | (148,935) | (742,713) | (10,382,338) | (5,070,495) | (16,344,481) |
| **Total Loans and advances to customers** | **18,741,326** | **6,242,551** | **11,079,771** | **5,293,876** | **41,357,525** |

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) | (8,549,030) | (3,273,624) | (12,253,570) |
| **Total Loans to corporate entities and public sector** | **12,775,218** | **3,088,962** | **8,430,328** | **2,767,103** | **27,061,611** |
| **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) | (10,509,501) | (5,336,517) | (16,787,130) |
| **Total Loans and advances to customers** | **20,622,222** | **6,110,085** | **11,010,415** | **5,450,161** | **43,192,883** |

The table below analyzes the impact of IFRS9 transition on the accumulated 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 |
| Trasnfer of allowance of loans and advances to customers mandatorily at FVTPL | (162,149) |
| IFRS 9 transitional impact | 1,408,772 |
| **Opening balance 1/1/2018 with IFRS 9** | **16,787,130** |

**Amounts in thousand euros** (Unless otherwise stated)

The following table presents the reconciliation of the allowance for impairment on loans and advances to customers (including fair value adjustments):

| | 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 | 10,509,501 | 5,336,517 | 16,787,130 |
| Transfers between Stages (net) | 13,847 | (18,777) | 4,930 | - | 0 |
| Profit/ (loss) charge for the period | (10,706) | (33,483) | 230,079 | (21,654) | 164,237 |
| Write-offs | (34) | (579) | (287,815) | (209,324) | (497,752) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | - | (11) | (168,197) | (91,821) | (260,029) |
| Change in the present value of the impairment allowance | - | 8 | 121,222 | 61,488 | 182,719 |
| Foreign exchange differences and other movements | (4,107) | 4,378 | (27,383) | (4,711) | (31,822) |
| **Balance at 31/3/2018** | **148,935** | **742,713** | **10,382,338** | **5,070,495** | **16,344,481** |

The Bank has adopted the preferred by 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 loss allowances are being "grossed up" by the amount of the corresponding accrued interest income. According to the IFRS 9 rules, the gross carrying amount of a financial asset may be directly reduced when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. As such, the Bank proceeds with writing off the amount of the "gross up" of the loan balance. In the table presented above, the line item "Write-off of accrued interest relating to the grossing up approach for Stage 3 loans" refers to the aforementioned adjustment carried out.

## 6 Business segments

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

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

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

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

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

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

**Piraeus “Core” Segments**

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

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

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

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

**“Piraeus Legacy Unit” Segment**

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

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

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

**Amounts in thousand euros** (Unless otherwise stated)

| 1/1-31/3/2018 | Core | | | | | PLU | Group |
|---|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | PFM | Other | Total | | |
| Net interest income | 151,790 | 118,717 | 13,102 | (3,306) | 280,303 | 79,853 | **360,156** |
| Net fee and commision income | 37,841 | 30,622 | 2,539 | 244 | 71,245 | 7,317 | **78,563** |
| Other income/ (expenses) | 19 | 368 | 8,948 | 5,938 | 15,273 | 7,997 | **23,270** |
| **Total Net Income** | **189,650** | **149,706** | **24,589** | **2,876** | **366,821** | **95,167** | **461,988** |
| Operating expenses | (120,981) | (46,390) | (6,850) | (153,143) | (327,364) | (69,963) | **(397,327)** |
| **Profit/ (loss) before provisions, impairment and income tax** | **68,668** | **103,316** | **17,740** | **(150,267)** | **39,457** | **25,204** | **64,662** |
| Impairment losses on loans and advances to customers | 8,129 | 276 | 358 | (10,173) | (1,410) | (162,827) | **(164,237)** |
| Impairment losses on other assets | - | - | - | (7,364) | (7,364) | (3,289) | **(10,653)** |
| Impairment (losses)/ releases on financial assets at fair value through other comprehensive income | - | - | - | 15,129 | 15,129 | (139) | **14,991** |
| Impairment on participations | - | - | - | (18,038) | (18,038) | - | **(18,038)** |
| Other impairment losses | - | - | - | (1,048) | (1,048) | (20) | **(1,068)** |
| Other provision releases/ (charges) | - | - | - | 9,336 | 9,336 | (3,191) | **6,145** |
| Share of profit/ (loss) of associates and joint ventures | - | - | - | (7,777) | (7,777) | (528) | **(8,304)** |
| **Profit/ (loss) before tax** | **76,798** | **103,592** | **18,097** | **(170,201)** | **28,286** | **(144,788)** | **(116,502)** |
| Income tax benefit/ (expense) | | | | | | | 35,418 |
| **Profit/ (loss) for the period from continuing operations** | | | | | | | **(81,084)** |
| Profit/ (loss) after income tax from discontinued operations | - | - | - | - | - | (1,971) | (1,971) |
| **Profit/ (loss) for the period** | | | | | | | **(83,055)** |
| **As at 31 March 2018** | | | | | | | |
| Total assets from continuing operations (excluding assets held for sale) | 10,684,234 | 13,740,609 | 5,756,308 | 10,331,495 | 40,512,646 | 21,247,427 | **61,760,073** |
| Total assets from discontinued operations | - | - | - | - | - | 1,780,599 | **1,780,599** |
| Assets held for sale | - | - | - | - | - | 17,998 | **17,998** |
| Total liabilities | 31,293,120 | 7,059,697 | 11,521,379 | 3,478,961 | 53,353,157 | 2,363,485 | **55,716,642** |
| Capital expenditure | - | - | - | 72,390 | 72,390 | 1,279 | **73,670** |

**Amounts in thousand euros** (Unless otherwise stated)

| 1/1-31/3/2017 | Core | | | | | PLU | Group |
|---|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | PFM | Other | Total | | |
| Net interest income | 150,588 | 135,780 | 60,307 | (50,294) | 296,382 | 132,533 | **428,914** |
| Net fee and commision income | 35,411 | 32,654 | 1,085 | 1,881 | 71,031 | 6,333 | **77,364** |
| Other income/ (expenses) | (1,943) | - | 29,507 | 2,394 | 29,958 | (822) | **29,136** |
| **Net Income** | **184,056** | **168,434** | **90,899** | **(46,019)** | **397,371** | **138,044** | **535,415** |
| Operating expenses | (119,667) | (48,440) | (7,875) | (32,575) | (208,556) | (67,136) | **(275,692)** |
| **Profit/ (loss) before provisions, impairment and income tax** | **64,389** | **119,994** | **83,025** | **(78,593)** | **188,814** | **70,908** | **259,723** |
| Impairment losses on loans and advances to customers | 23,788 | (43,302) | 84 | 4,322 | (15,108) | (242,861) | **(257,969)** |
| Impairment losses on other assets | - | - | - | (5,086) | (5,086) | (1,788) | **(6,874)** |
| Other impairment losses | - | - | - | (1,525) | (1,525) | - | **(1,525)** |
| Other provision releases/ (charges) | - | - | - | (1,081) | (1,081) | (43) | **(1,124)** |
| Share of profit/ (loss) of associates and joint ventures | - | - | - | (7,125) | (7,125) | - | **(7,125)** |
| **Profit/ (loss) before tax** | **88,177** | **76,693** | **83,109** | **(89,087)** | **158,890** | **(173,784)** | **(14,894)** |
| Income tax benefit/ (expense) | | | | | | | 12,843 |
| **Profit/ (loss) for the period from continuing operations** | | | | | | | **(2,051)** |
| Results after income tax from discontinued operations | - | - | - | - | - | (5,760) | (5,760) |
| **Profit/ (loss) for the period** | | | | | | | **(7,811)** |
| **As at 31 December 2017** | | | | | | | |
| Total assets from continuing operations (excluding assets held for sale) | 11,231,811 | 15,509,655 | 6,058,317 | 9,707,904 | 42,507,687 | 22,607,224 | **65,114,910** |
| Total assets from discontinued operations | - | - | - | - | - | 2,283,542 | **2,283,542** |
| Assets held for sale | - | - | - | - | - | 18,110 | **18,110** |
| Total liabilities | 31,158,023 | 7,834,488 | 13,079,427 | 3,343,241 | 55,415,178 | 2,457,187 | **57,872,365** |
| **As at 31 March 2017** | | | | | | | |
| Capital expenditure | - | - | - | 48,361 | 48,361 | 3,631 | **51,992** |

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.

Capital expenditure includes additions of intangible assets and property and equipment that took place during the periods by each business segment. The intercompany transactions among the business segments are realised at arms length.

## 7 Net interest income

Net interest income for Q1 2018 amounted to € 360.2 million and is decreased in relation to the comparative Q1 2017 (€ 428.9 million) mainly as a result of the loan portfolio deleveraging, loan yield compression, significant increase in loan loss allowances in stage 3 category (mainly in Q4 2017 and through IFRS 9 1st time adoption as of 1/1/2018) and fixed income portfolio reduction, which was partially offset by the improvement of funding cost (primarily from ELA).

## 8 Staff cost

The increase of staff cost from € 135.8 million in Q1 2017 to € 264.2 million in Q1 2018 is attributable to the Voluntary Exit Scheme with an estimated cost of € 131.9 million, launched by the Bank during Q1 2018 with incentives offered to the employees of the Bank and the Greek subsidiaries as the Bank executes its strategic plan through cost efficiency measures.

## 9 Discontinued operations

In Q1 2017 the Group's subsidiary IMITHEA S.A. was classified as discontinued operations. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration Group's impairment policy. The transaction is expected to be completed by 31 December 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 € 61.0 million, through a combination of direct sale and simultaneous reduction of capital in Piraeus Bank Beograd AD. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration the binding offers and the Group's impairment policy. On 23 April 2018, the sale of Piraeus Bank Beograd A.D. to Direktna Bank A.D. was completed, following the receipt of the necessary regulatory approvals by the HFSF, the National Bank of Serbia and the Serbian Competition Authority.

On 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 relevant terms include Zodiac Europe Limited's Right of First Refusal to acquire the shares in Olympic either directly or through a third party nominee under the same financial and contractual terms. Avis Budget Group has indicated its intention to designate as the ultimate purchaser of Olympic a special purpose company, having as sole shareholders Avis Europe Holdings Limited and an Otokoc Group company with which the Avis Budget Group maintains a longstanding cooperation in many countries. The consideration for the Transaction amounted to € 80.6 million, implying an enterprise value (EV) for Olympic of € 318.1 million, and was paid fully in cash.

Amounts in thousand euros (Unless otherwise stated)

This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration the binding offers and the Group's impairment policy. The transaction was completed on 15 March 2018.

On 21 November 2017, Piraeus Bank S.A. 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"). The Transaction has been approved by the Board of Directors of Piraeus Bank and the Hellenic Financial Stability Fund, and is subject to customary conditions, including regulatory approvals by the relevant authorities in Romania. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The subsidiary's fair value prior to its classification as discontinued operations was determined taking into consideration the binding offers and the Group's impairment policy. The Transaction is expected to close in the first half of 2018. Its impact on the Group's regulatory capital position is expected to be neutral.

On 3 April 2018 Piraeus Bank proceeded to the sale of its total participation in its 99.54% subsidiary company, Sentinel Advisors S.A. (former ATE Insurance Romania S.A.).

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

Profit/ (loss) after income tax from discontinued operations for the period 1/1 - 31/3/2018 includes the results of Sentinel Advisors S.A. (former ATE Insurance Romania S.A.), IMITHEA S.A., Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D., Piraeus Leasing Doo Beograd for the three months of 2018 and Olympic Commercial & Tourist Enterprises S.A until 28/2/2018. It is noted that it was not possible to incorporate Olympic Commercial & Tourist Enterprises S.A. results for the period 1-15/3/2018 (until the day of its disposal on 15th March 2018). 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 1/1-31/3/2017 includes the results of the aforementioned companies.

| | 1/1-31/3/2018 | 1/1-31/3/2017 |
|---|---|---|
| Net interest income | 15,449 | 14,640 |
| Net fee and commission income | 2,776 | 2,491 |
| Dividend income | - | 1 |
| Net income from financial instruments measured at fair value through profit or loss | 895 | 955 |
| Recycling of the accumulated reserve from financial assets at FVTOCI | 110 | - |
| Results from investment securities | (524) | - |
| Other income/ (expenses) | 12,898 | 14,251 |
| **Total net income** | **31,605** | **32,339** |
| Staff costs | (17,516) | (18,427) |
| Administrative expenses | (11,835) | (13,402) |
| Depreciation and amortisation | (2,907) | (2,822) |
| Gains/ (losses) from sale of owned assets | 11 | 45 |
| **Total operating expenses before provisions** | **(32,247)** | **(34,605)** |
| Other provisions and impairment losses | (898) | (3,443) |
| **Profit/ (loss) before income tax** | **(1,541)** | **(5,710)** |
| Income tax | (430) | (51) |
| **Profit/ (loss) after income tax from discontinued operations** | **(1,971)** | **(5,760)** |

**Amounts in thousand euros** (Unless otherwise stated)

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 1/1-31/3/2018 with an impairment of the value of discontinued operations by € 1.3 million. The aforementioned amount is included in line “Other provisions and impairment” in the above table.

### B) Assets and liabilities

The following assets and liabilities as at 31/3/2018 relate to the companies Sentinel Advisors S.A. (former ATE Insurance Romania S.A.), IMITHEA S.A., Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd. 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.

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances with Central Banks | 225,813 | 284,113 |
| Loans and advances to credit institutions | 71,159 | 66,347 |
| Financial assets at fair value through profit or loss | 20,896 | 76,623 |
| Derivative financial instruments - asssets | 874 | 688 |
| Loans and advances to customers at amortised cost | 1,009,528 | 1,078,720 |
| Financial assets at fair value through other comprehensive income | 300,125 | - |
| Available for sale securities | - | 252,888 |
| Assets held for sale | 2,164 | 2,002 |
| Investment property | 6,631 | 6,629 |
| Property and equipment | 94,976 | 391,335 |
| Intangible assets | 8,290 | 9,496 |
| Deferred tax assets | 3,532 | 3,528 |
| Other assets | 36,611 | 111,175 |
| **Total Assets** | **1,780,599** | **2,283,542** |

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| **LIABILITIES** | | |
| Due to credit institutions | 63,375 | 153,762 |
| Due to customers | 1,173,702 | 1,174,998 |
| Derivative financial instruments - liabilities | 501 | 499 |
| Deferred tax liabilities | 2 | 6,470 |
| Current income tax liabilities | - | 2,180 |
| Retirement benefit obligations | 5,027 | 6,306 |
| Other provisions | 181,768 | 213,805 |
| Other liabilities | 22,059 | 82,835 |
| **Total Liabilities** | **1,446,434** | **1,640,856** |

## 10 Income tax benefit/ (expense)

| | 1/1-31/3/2018 | 1/1-31/3/2017 |
|---|---|---|
| Current tax | (3,885) | (3,450) |
| Deferred tax | 39,303 | 16,397 |
| Provisions for tax differences | - | (104) |
| **Total** | **35,418** | **12,843** |

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

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

The income tax for Q1 2018 amounting to € 35.4 million, was affected positively, mainly from the deferred tax asset of the temporary differences between the accounting and the tax base of loans and advances, including impairment. Additionally, the offset of current tax profits against previous years tax losses had a negative effect on the income tax.

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

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

In this case, a special reserve equal to 100% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares, while existing shareholders will have a call option right on them. The above-mentioned reserve will be capitalized and new ordinary shares will be issued in favor of the Greek State. Furthermore, a gradual amortisation over a 20-year period of the final tax losses arising from write-offs and disposals 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 31/3/2018, the deferred tax assets of the Group meeting the provisions of the above mentioned Law, amounts to € 3,999.2 million, of which € 1,311.9 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 31 March 2018 amounts to € 1.7 million, and has been included in the Consolidated Income Statement in 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 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 year, excluding the average number of ordinary shares held by the Group. There is no potential dilution on basic earning/ (losses) per share.

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

| Basic and diluted earnings/ (losses) per share from continuing operations | 1/1-31/3/2018 | 1/1-31/3/2017 |
|---|---|---|
| Profit/ (loss) attributable to ordinary shareholders of the parent entity from continuing activities | (79,633) | (1,603) |
| Weighted average number of ordinary shares in issue | 436,360,456 | 436,485,430 |
| Basic and diluted earnings/ (losses) per share (in €) from continuing operations | (0.1825) | (0.0037) |

| Basic and diluted earnings/ (losses) per share from discontinued operations | 1/1-31/3/2018 | 1/1-31/3/2017 |
|---|---|---|
| Profit/ (loss) attributable to ordinary shareholders of the parent entity from discontinued activities | (1,971) | (5,853) |
| Weighted average number of ordinary shares in issue | 436,360,456 | 436,485,430 |
| Basic and diluted earnings/ (losses) per share (in €) from discontinued operations | (0.0045) | (0.0134) |

According to the requirements of IAS 33, the weighted average number of shares for the comparative period 1/1 - 31/3/2017 has been adjusted by a factor 1/20, in order to reflect the effect in earnings/ (losses) per share of the reverse split decided by the Annual Ordinary General Meeting of shareholders held on 28/6/2017.

## 12 Amounts that can be reclassified to the Consolidated Income Statement

**A. Continuing operations**

| 1/1-31/3/2018 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | (38,606) | 5,879 | (32,727) |
| Change in currency translation reserve | 2,843 | - | 2,843 |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 4,788 | (1,375) | 3,412 |
| Change in reserve of defined benefit obligations | (595) | 11 | (584) |
| **Other comprehensive income from continuing operations** | **(31,570)** | **4,515** | **(27,055)** |

Amounts in thousand euros (Unless otherwise stated)

| 1/1-31/3/2017 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in available for sale reserve | 17,138 | (4,911) | 12,227 |
| Change in currency translation reserve | (1,069) | - | (1,069) |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve of defined benefit obligations | (7) | - | (7) |
| **Other comprehensive income from continuing operations** | **16,062** | **(4,911)** | **11,151** |

B. Discontinued operations

| 1/1-31/3/2018 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in reserve from financial assets at fair value through other comprehensive income | 287 | (45) | 242 |
| Change in currency translation reserve | (66) | - | (66) |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve of defined benefit obligations | 92 | - | 92 |
| **Other comprehensive income from discontinued operations** | **313** | **(45)** | **269** |

| 1/1-31/3/2017 | Before-Tax amount | Tax | Net-of-Tax amount |
|---|---|---|---|
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in available for sale reserve | (543) | 92 | (451) |
| Change in currency translation reserve | (847) | - | (847) |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income from discontinued operations** | **(1,389)** | **92** | **(1,298)** |

## 13 Loans and advances to customers

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Loans and advances to customers at amortised cost | 41,357,525 | 44,719,530 |
| Loans and advances to customers mandatorily at fair value through profit or loss | 108,182 | - |
| **Total loans and advances to customers** | **41,465,707** | **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 transitional impact (Note 3) | - | (1,408,773) | (1,408,773) |
| **Opening balance 1/1/2018 with IFRS 9** | **54,158,478** | **(10,965,595)** | **43,192,883** |

**Amounts in thousand euros** (Unless otherwise stated)

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

| | 31/3/2018 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| | 12-month ECL | Lifetime ECL | Credit impaired Lifetime ECL | Credit impaired Lifetime ECL | Total |
| Mortgages | 6,277,755 | 2,649,216 | 2,954,934 | 2,218,347 | 14,100,252 |
| Consumer/ personal and other loans | 936,961 | 711,576 | 1,037,602 | 645,539 | 3,331,677 |
| Credit cards | 499,398 | 82,547 | 240,315 | 37,996 | 860,257 |
| **Total loans to individuals** | **7,714,115** | **3,443,339** | **4,232,850** | **2,901,882** | **18,292,186** |
| **Loans to corporate entities and Public sector** | **11,141,698** | **3,471,336** | **15,833,063** | **3,391,260** | **33,837,356** |
| **Total loans and advances to customers - gross** | **18,855,813** | **6,914,675** | **20,065,913** | **6,293,141** | **52,129,542** |
| Less: Allowance for impairment on loans and advances to customers | (114,486) | (672,124) | (8,986,142) | (999,265) | (10,772,017) |
| **Loans and advances to customers at amortised cost** | **18,741,326** | **6,242,551** | **11,079,771** | **5,293,876** | **41,357,525** |

| | 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) | (9,073,801) | (1,055,974) | (10,965,594) |
| **Loans and advances to customers at amortised cost** | **20,622,222** | **6,110,085** | **11,010,415** | **5,450,161** | **43,192,883** |

It is noted that the amounts of loans and advances to customers before allowances for impairment on loans and advances to customers at amortised cost have been reduced by the fair value adjustment, in the context of the purchase price allocation exercise of the operations acquired. Specifically, the remaining allowance for impairment on loans and advances to customers of the Group amounting to € 5.6 billion as at 31/3/2018 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 Group amounted to € 8.1 billion, 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 its 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 | 9,073,801 | 1,055,974 | 10,965,594 |
| Transfers between Stages (net) | 13,847 | (18,777) | 4,930 | - | 0 |
| Profit/ (loss) charge for the period | (10,706) | (33,483) | 230,079 | (21,654) | 164,237 |
| Write-offs | (26) | (333) | (248,311) | (12) | (248,681) |
| Write-off of accrued interest relating to the grossing up approach for Stage 3 loans | - | (11) | (168,197) | (91,821) | (260,029) |
| Change in the present value of the impairment allowance | - | 8 | 121,222 | 61,488 | 182,719 |
| Foreign exchange differences and other movements | (4,107) | 4,378 | (27,383) | (4,711) | (31,822) |
| **Balance at 31/3/2018** | **114,486** | **672,124** | **8,986,142** | **999,265** | **10,772,017** |

**Amounts in thousand euros** (Unless otherwise stated)

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

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

Line “Loans and advances to customers mandatorily at fair value through profit or loss” of the Consolidated Interim Statement of Financial Position (31/3/2018: € 108.2 million) includes loans and advances to customers of the Group that do not meet the criteria for classification at either amortised cost or fair value through other comprehensive income. The respective amount at the transition to IFRS 9 as of 1/1/2018 was € 107.0 million (Note 3).

## 14 Investments in consolidated companies

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

**A) Subsidiary companies (full consolidation method) from continuing operations**

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 1. | Piraeus Leasing S.A. | Finance leases | 100.00% | Greece | 2013-2017 |
| 2. | Piraeus Financial Leases S.A. (former Cyprus Leasing S.A.) | Finance leases | 100.00% | Greece | 2013-2017 |
| 3. | Geniki Financial & Consulting Services S.A. | Financial & consulting services | 100.00% | Greece | 2012-2017 |
| 4. | Piraeus Securities S.A. | Stock exchange operations | 100.00% | Greece | 2013-2017 |
| 5. | Piraeus Factoring S.A. | Corporate factoring | 100.00% | Greece | 2013-2017 |
| 6. | Piraeus Capital Management S.A. | Venture capital fund | 100.00% | Greece | 2010,2013-2017 |
| 7. | Piraeus Jeremie Technology Catalyst Management S.A. | Management of venture capital fund | 100.00% | Greece | 2013-2017 |
| 8. | Hellenic Fund for Sustainable Development | Close End Venture Capital Fund | 65.00% | Greece | - |
| 9. | ETVA Fund Management S.A. | Management of venture capital mutual funds | 65.00% | Greece | 2014-2017 |
| 10. | Piraeus Asset Management S.A. | Mutual funds management | 100.00% | Greece | 2013-2017 |
| 11. | Piraeus Insurance and Reinsurance Brokerage S.A. | Insurance and reinsurance brokerage | 100.00% | Greece | 2013-2017 |
| 12. | Piraeus Insurance Agency S.A. | Insurance agency | 100.00% | Greece | 2013-2017 |
| 13. | Geniki Information S.A. | Assessment and collection of commercial debts | 100.00% | Greece | 2010-2017 |
| 14. | DI.VI.PA.KA S.A. | Administrative and managerial body of the Kastoria industrial park | 57.53% | Greece | 2010,2013-2017 |
| 15. | ETVA Development S.A. | Investment and development activities, in accordance with the principles of sustainable development | 65.00% | Greece | 2014-2017 |
| 16. | ETVA Industrial Parks S.A. | Development/ management of industrial areas | 65.00% | Greece | 2010,2013-2017 |
| 17. | Piraeus Green Investments S.A. | Holding company | 100.00% | Greece | 2013-2017 |
| 18. | Abies S.A. | Property management | 61.65% | Greece | 2010-2017 |
| 19. | Achaia Clauss Estate S.A. | Property management | 75.37% | Greece | 2013-2017 |
| 20. | Euroterra S.A. | Property management | 62.90% | Greece | 2010-2017 |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 21. | Kosmopolis A' Shopping Centers S.A. | Shopping center's management | 100.00% | Greece | 2013-2017 |
| 22. | Linklife Food & Entertainment Hall S.A. | Operation of food and entertainment Halls | 100.00% | Greece | 2014-2017 |
| 23. | ND Development S.A. | Property management | 100.00% | Greece | 2013-2017 |
| 24. | New Up Dating Development Real Estate and Tourism S.A. | Property, tourism & development company | 100.00% | Greece | 2013-2017 |
| 25. | Picar S.A. | City Link areas management | 100.00% | Greece | 2013-2017 |
| 26. | Property Horizon S.A. | Property management | 100.00% | Greece | 2013-2017 |
| 27. | Rebikat S.A. | Property management | 61.92% | Greece | 2010-2017 |
| 28. | General Construction and Development Co. S.A. | Property development/ holding company | 66.66% | Greece | 2013-2017 |
| 29. | Entropia Ktimatiki S.A. | Property management | 66.70% | Greece | 2013-2017 |
| 30. | Euroak S.A. Real Estate | Real estate investment | 53.60% | Greece | 2010-2017 |
| 31. | Komotini Real Estate Development S.A. | Property management | 100.00% | Greece | 2013-2017 |
| 32. | Piraeus Buildings S.A. | Property development | 100.00% | Greece | 2010-2017 |
| 33. | Piraeus Development S.A. | Property management | 100.00% | Greece | 2013-2017 |
| 34. | Piraeus Real Estate S.A. | Construction company | 100.00% | Greece | 2013-2017 |
| 35. | Pleiades Estate S.A. | Property management | 100.00% | Greece | 2013-2017 |
| 36. | A.C.T. B.A.S. S.A. | Counseling services for payroll and labour affairs | 100.00% | Greece | 2011-2017 |
| 37. | KPM Energy S.A. | Energy generation and exploitation through renewable energy resources | 80.00% | Greece | 2013-2017 |
| 38. | Mille Fin S.A. | Vehicle Trading | 100.00% | Greece | 2013-2017 |
| 39. | Multicollection S.A. | Assessment and collection of commercial debts | 51.00% | Greece | 2009-2017 |
| 40. | Piraeus Direct Solutions S.A. (former Special Business Services S.A. ) | Financial - telecommunication & IT services | 100.00% | Greece | 2013-2017 |
| 41. | Special Financial Solutions S.A. | Advising, consultancy, organizational and training services | 100.00% | Greece | 2013-2017 |
| 42. | Zibeno I Energy S.A. | Energy generation through renewable energy resources | 83.00% | Greece | 2015-2017 |
| 43. | Centre of Sustainable Entrepreneurship Excelixi S.A. | Consulting Services - Hotel - Training & Seminars | 100.00% | Greece | 2010,2013-2017 |
| 44. | Pireaus Direct Services S.A. | Support and e-commerce services, trade of time renewal cards | 100.00% | Greece | 2013-2017 |
| 45. | PROSPECT N.E.P.A. | Yachting management | 100.00% | Greece | - |
| 46. | Anemos Ipirou Anonymi Energeiaki Etaireia | The exploitation of wind energy park in Greece. | 100.00% | Greece | 2007-2017 |
| 47. | Aioliki Mbeleheri S.A. | The exploitation of wind energy park in Greece and the holding of investments with similar activities. | 100.00% | Greece | 2001-2017 |
| 48. | Aiolikon Parko Artas E.E. | The exploitation of wind energy park in Greece | 99.80% | Greece | 2009-2017 |
| 49. | Aiolikon Parko Evritanias Morforahi E.E. | The exploitation of wind energy park in Greece | 99.80% | Greece | 2009-2017 |
| 50. | Aiolikon Parko Evritanias Ouranos E.E. | The exploitation of wind energy park in Greece | 99.80% | Greece | 2009-2017 |
| 51. | DMX Aioliki Marmariou - Agathi LLP | The exploitation of wind energy park in Greece | 100.00% | Greece | 2008-2017 |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [(1)] |
|---|---|---|---|---|---|
| 52. | DMX Aioliki Marmariou - Rigani LLP | The exploitation of wind energy park in Greece | 100.00% | Greece | 2008-2017 |
| 53. | DMX Aioliko Parko Rodopi 2 E.E. | The exploitation of wind energy park in Greece | 99.80% | Greece | 2004-2017 |
| 54. | Tirana Bank I.B.C. S.A. | Banking activities | 98.83% | Albania | 2014-2017 |
| 55. | Tirana Leasing Sh.A. | Finance leases | 100.00% | Albania | 2016-2017 |
| 56. | Cielo Concultancy Sh.P.K. | Holding and investment company | 99.09% | Albania | 2014-2017 |
| 57. | Edificio Enterprise Sh.P.K. | Holding and investment company | 99.09% | Albania | 2014-2017 |
| 58. | Tierra Projects Sh.P.K. | Holding and investment company | 99.09% | Albania | 2014-2017 |
| 59. | Piraeus Real Estate Tirana Sh.P.K. | Real estate development | 100.00% | Albania | 2014-2017 |
| 60. | Piraeus Bank Bulgaria A.D. | Banking activities | 99.98% | Bulgaria | 2010-2017 |
| 61. | Piraeus Insurance Brokerage EOOD | Insurance brokerage | 99.98% | Bulgaria | 2007-2017 |
| 62. | Beta Asset Management EOOD | Rent and management of real estate | 99.98% | Bulgaria | 2013-2017 |
| 63. | Bulfina E.A.D. | Property management | 100.00% | Bulgaria | 2008-2017 |
| 64. | Bulfinace E.A.D. | Property Management | 100.00% | Bulgaria | 2008-2017 |
| 65. | Delta Asset Management EOOD | Real Estate Development | 99.98% | Bulgaria | 2015-2017 |
| 66. | Gama Asset Management EOOD | Real Estate Development | 99.98% | Bulgaria | 2015-2017 |
| 67. | Piraeus Real Estate Bulgaria EOOD | Construction company | 100.00% | Bulgaria | 2007-2017 |
| 68. | Varna Asset Management EOOD | Real estate development | 99.98% | Bulgaria | 2014-2017 |
| 69. | Asset Management Bulgaria EOOD | Travel - rental services and property management | 99.98% | Bulgaria | 2012-2017 |
| 70. | Besticar Bulgaria EOOD | Collects receivables | 99.98% | Bulgaria | 2012-2017 |
| 71. | Besticar EOOD | Collects receivables from problematic clients | 99.98% | Bulgaria | 2012-2017 |
| 72. | Piraeus Equity Investment Management Ltd | Investment management | 100.00% | Cyprus | 2011-2017 |
| 73. | Arigeo Energy Holdings Ltd | Holding company in renewable energy | 100.00% | Cyprus | 2012-2017 |
| 74. | Besticar Limited | Holding Company | 99.98% | Cyprus | - |
| 75. | Euroinvestment & Finance Public Ltd | Asset management, real estate operations | 90.85% | Cyprus | 2008-2017 |
| 76. | Piraeus Clean Energy Holdings Ltd | Holding Company | 100.00% | Cyprus | 2011-2017 |
| 77. | Piraeus Equity Partners Ltd | Holding company | 100.00% | Cyprus | 2011-2017 |
| 78. | Piraeus Renewable Investments Limited | Holding company | 100.00% | Cyprus | 2016-2017 |
| 79. | PRI WIND I Limited | Holding company | 100.00% | Cyprus | 2016-2017 |
| 80. | PRI WIND II Limited | Holding company | 100.00% | Cyprus | 2016-2017 |
| 81. | PRI WIND III Limited | Holding company | 100.00% | Cyprus | 2016-2017 |
| 82. | R.E. Anodus Two Ltd | Holding and investment company | 99.09% | Cyprus | 2013-2017 |
| 83. | Tellurion Ltd | Holding company | 100.00% | Cyprus | 2013-2017 |
| 84. | Tellurion Two Ltd | Holding company | 99.09% | Cyprus | 2013-2017 |
| 85. | Trieris Two Real Estate Ltd | Holding, Investment and Real Estate Portfolio Management | 100.00% | Cyprus | 2010-2017 |

**Amounts in thousand euros** (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 86. | Zibeno Investments Ltd | Holding Company | 83.00% | Cyprus | 2011-2017 |
| 87. | O.F. Investments Ltd | Investment company | 100.00% | Cyprus | 2011-2017 |
| 88. | R.E. Anodus Ltd | Consultancy services for real estate development and investments | 100.00% | Cyprus | 2009-2017 |
| 89. | Lakkos Mikelli Real Estate Ltd | Property management | 50.66% | Cyprus | 2009-2017 |
| 90. | Philoktimatiki Public Ltd | Land and property development | 53.29% | Cyprus | 2015-2017 |
| 91. | Piraeus Clean Energy GP Ltd | General partner of Piraeus Clean Energy LP | 100.00% | Cyprus | 2012-2017 |
| 92. | Piraeus Equity Advisors Ltd | Investment advice | 100.00% | Cyprus | 2012-2017 |
| 93. | Sunholdings Properties Company Ltd | Land and property development | 26.65% | Cyprus | 2008-2017 |
| 94. | Philoktimatiki Ergoliptiki Ltd | Construction company | 53.29% | Cyprus | 2015-2017 |
| 95. | WH South Wind Hellas Ltd | The holding of investments in Renewable Energy Sector in Greece | 100.00% | Cyprus | 2016-2017 |
| 96. | Emadierio Solar Energy & Investments Ltd | The exploitation of wind energy park in Greece | 100.00% | Cyprus | 2016-2017 |
| 97. | Josharton Ltd | Holding of investments | 100.00% | Cyprus | 2016-2017 |
| 98. | JSC Piraeus Bank ICB | Banking activities | 99.99% | Ukraine | 2015-2017 |
| 99. | Akinita Ukraine LLC | Real estate development | 100.00% | Ukraine | 2014-2017 |
| 100. | Sinitem LLC | Sale and purchase of real estate | 99.94% | Ukraine | 2013-2017 |
| 101. | Solum Enterprise LLC | Property management | 99.94% | Ukraine | 2012-2017 |
| 102. | Solum Limited Liability Company | Property management | 99.94% | Ukraine | 2017 |
| 103. | Piraeus Leasing Romania S.A. | Monitoring and collection services for loans disbursed by the company | 100.00% | Romania | 2003-2017 |
| 104. | Alecsandri Estates SRL | Real Estate Development | 74.32% | Romania | 2009-2017 |
| 105. | Daphne Real Estate Consultancy SRL | Real estate development | 99.09% | Romania | 2014-2017 |
| 106. | Priam Business Consultancy SRL | Real estate development | 99.18% | Romania | 2014-2017 |
| 107. | Proiect Season Residence SRL | Real estate development | 100.00% | Romania | 2012-2017 |
| 108. | R.E. Anodus SRL | Real Estate development | 99.09% | Romania | 2013-2017 |
| 109. | Rhesus Development Projects SRL | Real estate development | 99.09% | Romania | 2014-2017 |
| 110. | General Business Management Investitii SRL | Development of building projects | 100.00% | Romania | 2013-2017 |
| 111. | Piraeus Real Estate Consultants SRL | Construction company | 100.00% | Romania | 2015-2017 |
| 112. | Piraeus Rent Doo Beograd | Operating Leases | 100.00% | Serbia | 2007-2017 |
| 113. | Piraeus Real Estate Egypt LLC | Property management | 100.00% | Egypt | 2011-2017 |
| 114. | Piraeus FI Holding Ltd | Holding company | 100.00% | British Virgin Islands | - |
| 115. | Trieris Real Estate Management Ltd | Management of Trieris Real Estate Ltd | 100.00% | British Virgin Islands | - |
| 116. | Piraeus Master GP Holding Ltd | Investment advice | 100.00% | British Virgin Islands | - |
| 117. | Marathon 1 Greenvale Rd LLC | Real estate development | 99.95% | U.S.A. | 2012-2017 |
| 118. | Piraeus Group Capital Ltd | Debt securities issue | 100.00% | United Kingdom | - |

**Amounts in thousand euros** (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [(1)] |
|---|---|---|---|---|---|
| 119. | Piraeus Group Finance PLC | Debt securities issue | 100.00% | United Kingdom | 2016-2017 |
| 120. | Axia Finance III PLC | SPE for securitization of corporate loans | - | United Kingdom | - |
| 121. | Axia Finance PLC | SPE for securitization of corporate loans | - | United Kingdom | - |
| 122. | Axia III APC LIMITED | SPE for securitization of corporate loans | - | United Kingdom | - |
| 123. | Estia Mortgage Finance PLC | SPE for securitization of mortgage loans | - | United Kingdom | 2017 |
| 124. | Estia Mortgage Finance II PLC | SPE for securitization of mortgage loans | - | United Kingdom | 2017 |
| 125. | Kion Mortgage Finance PLC | SPE for securitization of mortgage loans | - | United Kingdom | - |
| 126. | Praxis I Finance PLC | SPE for securitization of consumer loans | - | United Kingdom | - |
| 127. | Praxis II APC LIMITED | SPE for securitization of consumer loans | - | United Kingdom | - |
| 128. | Praxis II Finance PLC | SPE for securitization of consumer loans | - | United Kingdom | - |
| 129. | Capital Investments & Finance S.A. | Investment company | 100.00% | Liberia | - |
| 130. | Piraeus Asset Management Europe S.A. | Mutual funds management | 100.00% | Luxemburg | - |
| 131. | Vitria Investments S.A. | Investment company | 100.00% | Panama | - |

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.

Companies duly numbered 120 - 128 are special purpose vehicles for securitization of loans and advances to customers and issuance of debt securities. Company duly numbered 93 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 31/3/2018 the companies duly numbered 17, 32, 39, 55, 57-58, 72, 74, 114, 116, 129 and 131 were under liquidation.

The subsidiaries that are excluded from the consolidation are as follows: a) “Hellenic Information Systems HIS S.A.”, b) "The Museum Ltd", c) “Piraeus Bank Group Cultural Foundation”, d) “Procas Holding Ltd”, e) “Phoebe Investments SRL”, f) “Core Investments Project SRL”, g) “Amaryllis Investments Consultancy SRL”, h) “Torborg Maritime Inc.”, i) “Isham Marine Corp.”, j) “Bayamo Shipping Co.”, k) “Sybil Navigation Co.”, l) “Axia III Holdings Ltd”, m) “Praxis II Holdings Ltd” and n) “Kion Holdings Ltd”. The consolidation of the above mentioned companies would not have a significant effect on the Consolidated Statement of Financial Position and Consolidated Income Statement.

### B) Subsidiaries classified as discontinued operations

Piraeus Bank Group subsidiary companies IMITHEA S.A., Sentinel Advisors S.A. (former ATE Insurance Romania S.A.), Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd, that are included in discontinued operations, are analysed below. Relevant reference for the disposal procedure, that is under process, for the companies IMITHEA S.A., Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd is provided in Note 9.

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 1. | IMITHEA S.A. | Organization, operation and management of hospital units | 100.00% | Greece | 2013-2017 |
| 2. | Piraeus Bank Romania S.A. | Banking activities | 100.00% | Romania | 2007-2017 |
| 3. | Sentinel Advisors S.A. (former ATE Insurance Romania S.A.) | Activities of consultancy for business and management | 99.54% | Romania | 2007-2017 |
| 4. | Piraeus Bank Beograd A.D. | Banking activities | 100.00% | Serbia | 2013-2017 |
| 5. | Piraeus Leasing Doo Beograd | Finance leases | 100.00% | Serbia | 2007-2017 |

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.

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.

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

#### i) 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 are as follows:

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 1. | Piraeus - TANEO Capital Fund | Close end Venture capital fund | 50.01% | Greece | - |
| 2. | PJ Tech Catalyst Fund | Close end Venture capital fund | 30.00% | Greece | - |
| 3. | APE Commercial Property Real Estate Tourist and Development S.A. | Holding company | 27.80% | Greece | 2010,2013-2017 |
| 4. | Marfin Investment Group Holdings S.A. | Holding company | 31.40% | Greece | 2013-2017 |
| 5. | Sciens International Investments & Holding S.A. | Holding company | 28.10% | Greece | 2010,2013-2017 |
| 6. | APE Fixed Assets Real Estate Tourist & Development S.A. | Real estate, development/ tourist services | 27.80% | Greece | 2010,2013-2017 |
| 7. | APE Investment Property S.A. | Real estate, development/ tourist services | 28.92% | Greece | 2010,2013-2017 |
| 8. | Olganos Real Estate S.A. | Property management/electricity production from hydropower stations | 32.27% | Greece | 2014-2017 |
| 9. | Pyrrichos S.A. | Property management | 50.77% | Greece | 2012-2017 |
| 10. | Exodus S.A. | Information technology & software | 49.90% | Greece | 2010,2013-2017 |
| 11. | Hellenic Seaways Maritime S.A. | Maritime transport - Coastal shipping | 43.48% | Greece | 2013-2017 |
| 12. | Evros' Development Company S.A. | European community programs management | 30.00% | Greece | 2010-2017 |
| 13. | Gaia S.A. | Software services | 26.00% | Greece | 2015-2017 |
| 14. | Crete Scient. & Tech. Park Manag. & Dev. Co. S.A. | Scientific and technology park management | 30.45% | Greece | 2013-2017 |
| 15. | Selonda Aquaculture S.A. | Fish farming | 32.92% | Greece | 2012-2017 |
| 16. | Nireus Aquaculture S.A. | Fish farming | 32.23% | Greece | 2013-2017 |

Amounts in thousand euros (Unless otherwise stated)

| s/n | Name of Company | Activity | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 17. | Teiresias S.A. | Interbanking company of development, operation and management of information systems | 23.53% | Greece | 2010,2013-2017 |
| 18. | Trastor Real Estate Investment Company | Real estate investment property | 39.39% | Greece | 2010,2013-2017 |
| 19. | Unisoft S.A. | Software manufacturer | 23.07% | Greece | 2013-2017 |
| 20. | Trieris Real Estate Ltd | Property management | 32.37% | British Virgin Islands | - |
| 21. | Exus Software Ltd | IT products retailer | 49.90% | United Kingdom | 2016-2017 |

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

The aforementioned companies were assessed in the context of IFRS 10 by Management. Based on the relevant assessment, Piraeus Bank Group does not control these companies and as a result they are not subsidiaries of 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 under idle status. The consolidation of this company would not have a significant effect on the Consolidated Statement of Financial Position and Consolidated Income Statement. Also, the financial data of the associate company NGP Plastic S.A. is not available due to the aforementioned company's inability to produce them.

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

**ii) 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 | % Holding | Country | Unaudited tax years [1] |
|---|---|---|---|---|---|
| 1 | AEP ELAIONA S.A. | Property management | 50.00% | Greece | 2012-2017 |

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

Amounts in thousand euros (Unless otherwise stated)

## 15 Due to credit institutions

"Due to credit institutions" as at 31/3/2018, include refinancing operations from the eurosystem through repo transactions amounting to € 6,100.2 million (31/12/2017:€ 9,730.8 million). The decrease in the refinancing raised from the eurosystem is mainly due to: a) the increase in deposits, b) the interbank repo transactions on securities that are not eligible for refinancing operations from the ECB, c) the reduction in greek government treasury bills held, and d) the further deleveraging of the loan portfolio.

## 16 Due to customers

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| **Corporate** | | |
| Current and sight deposits | 7,256,374 | 8,043,856 |
| Term deposits | 3,230,622 | 2,065,033 |
| Blocked deposits, guarantee deposits and other accounts | 249,742 | 269,969 |
| **Total (A)** | **10,736,738** | **10,378,859** |
| **Retail** | | |
| Current and sight deposits | 3,311,769 | 3,220,867 |
| Savings account | 14,944,670 | 15,134,031 |
| Term deposits | 13,993,945 | 13,834,560 |
| Blocked deposits, guarantee deposits and other accounts | 37,516 | 43,501 |
| **Total (B)** | **32,287,900** | **32,232,959** |
| **Cheques payable and remittances (C)** | **126,426** | **103,435** |
| **Total Due to Customers (A)+(B)+(C)** | **43,151,064** | **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 decrease in the near future.

## 18 Debt securities in issue

### A) Securitisation of mortgage loans

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Issuance € 750 million floating rate notes due 2040 | 10,802 | 11,317 |
| Issuance € 1,250 million floating rate notes due 2054 | 35,276 | 37,069 |
| Issuance € 600 million floating rate notes due 2051 | 15,454 | 16,103 |
| **Total debt securities in issue** | **61,532** | **64,489** |

From the above mentioned securitisations of mortgage loans issues, Piraeus Bank possesses as at 31/3/2018 bonds of nominal value amounting to € 89.1 million from the issuance of € 750.0 million, € 559.0 million from the issuance of € 1,250.0 million and € 28.1 million from the issuance of € 600.0 million.

Piraeus Bank, during the period 1/1/2018 - 31/3/2018, proceeded with the buy back of bonds of securitised loans of total amount after amortisation of € 1.9 million.

**Amounts in thousand euros** (Unless otherwise stated)

**B) Covered Bonds**

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Issuance € 500 million floating rate notes due 2022 | 370,790 | 370,788 |
| **Total covered bonds** | **370,790** | **370,788** |

From the above mentioned Covered Bond Series of € 500.0 million, due October 2022, which was issued in October 2017 and was privately placed with international investors, Piraeus Bank possesses as at 31/3/2018 bonds of nominal value amouting to € 130.0 million (31/12/2017: € 130.0 million).

**C) Debt securities' issuances retained by Piraeus Bank**

It should be noted that, apart from the debt securities in the table above, as of 31/3/2018 liabilities arising from securitisations of loans are retained by the Bank. These issues are the first and third securitisation of corporate loans in the amount of € 1,750.0 million and € 2,352.2 million respectively, as well as the first and second consumer loan backed securitisation of € 725.0 million and € 558.0 million respectively.

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

**D) 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 - 31/3/2018.

## 19 Other provisions

The increase in “Other provisions” from € 53.0 million as at 31/12/2017 to € 266.4 million as at 31/3/2018 is mainly attributable to:

a) the recognition of a provision of € 80.0 million for the unsettled portion of the Voluntary Exit Scheme cost of € 131.9 million (Note 8) expected to be settled by 31/12/2018 and

b) the allowance for expected credit losses on credit commitments amounting € 143.4 million (Note 20C).

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

### A) 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 because: a) the proceedings may last for several years, b) many of the proceedings are in early stages, c) there is uncertainty of the likelihood of the final result, d) there is uncertainty as to the outcome of the pending appeals and e) there are significant issues to be resolved. 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 31 March 2018 the Group has provided for cases under litigation € 34.0 million (31 December 2017: € 32.1 million).

### B) Pending tax audits

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

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

It is noted that, from 2016 and thereon the issue of the "Annual Tax Certificate" is optional, however the Group's Greek companies will continue to obtain the tax certificate. 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 Compliance Reports" have been issued.

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

For the fiscal years 2014, 2015 and 2016, the tax audits of the Bank conducted by PricewaterhouseCoopers S.A have been completed and unqualified "Tax Compliance Reports" have been issued, whereas, for the fiscal year 2017 the tax audit is in progress and is carried out by statutory auditor of Deloitte S.A.

Namely, to the subsidiaries, associates and joint ventures of Piraeus Bank Group that are incorporated in Greece and which must be audited according to the applicable law in force, the tax audit of these entities for the year 2016 has been completed and the relevant Tax Compliance Reports have been issued, whereas for the year 2017 the tax audit is in progress by the statutory auditors and has not been completed yet.

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

A provision is booked on a company-by-company basis to cover possible tax differences that may arise, for the unaudited tax years, upon the completion of the tax audit.

Amounts in thousand euros (Unless otherwise stated)

The Management does not expect that additional tax liabilities will arise, in excess of those already recorded and presented in the Consolidated Interim Financial Information, upon the completion of the tax audit.

**C) Credit commitments**

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

As at 31/3/2018 the Group had undertaken the following commitments:

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Letters of guarantee | 2,764,834 | 2,770,387 |
| Letters of credit | 39,129 | 37,021 |
| Undrawn committed credit facilities | 454,470 | 499,557 |
| | **3,258,432** | **3,306,965** |

The allowance for expected credit losses on credit commitments recognized according to IFRS 9 as at 31/3/2018 amounts to € 143.4 million (1/1/2018: € 153.7 million) and is included in line "Other provisions" of the Consolidated Interim Statement of Financial Position.

**D) Assets pledged**

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Cash and balances with Central Bank | 647,884 | 756,126 |
| Financial instruments at fair value through profit or loss | 239,349 | 1,473,151 |
| Investment securities | - | 1,465,500 |
| Financial assets at fair value through other comprehensive income | 1,207,039 | - |
| Loans and advances to customers at amortised cost | 18,196,627 | 27,219,771 |
| Loans and advances to credit institutions | 1,142 | 1,144 |
| | **20,292,040** | **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 € 3,421.8 million (31/12/2017: € 2,141.4 million) are used for liquidity purposes, of which are Greek government bonds of nominal value € 305.0 million (31/12/2017: € 70.0 million) and debt securities of own issue of nominal value € 3,105.8 million (31/12/2017: € 2,071.4 million).

On 31/3/2018, further to the above assets pledged, the Group has blocked financial assets of € 168 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 at amortised cost", that are presented in the above table, have been pledged under financing from the ELA.

**Amounts in thousand euros** (Unless otherwise stated)

### E) Operating lease commitments

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

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Up to 1 year | 38,034 | 39,500 |
| From 1 to 5 years | 145,683 | 150,970 |
| More than 5 years | 258,603 | 284,265 |
| | **442,320** | **474,735** |

## 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 | - | - | - | (269) | (269) |
| **Balance at 31 March 2018** | **2,619,955** | **13,074,688** | **2,040,000** | **(648)** | **17,733,995** |

Changes to the number of Bank's shares are 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 | - | (1,378,451) | (1,378,451) |
| Sales of treasury shares | - | 1,373,987 | 1,373,987 |
| **Balance at 31 March 2018** | **436,659,164** | **(196,133)** | **436,463,031** |

The Bank's share capital on 31/3/2018 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 31/3/2018 and 31/12/2017 corresponded to the amount of € 2,040.0 million.

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

**Amounts in thousand euros** (Unless otherwise stated)

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

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 the establishing prudential requirements dated 8/12/2017, in force from 1/1/2018 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.

Based on the above, the Board of Directors of the Bank, although profit is being recognized for the year 2017, will propose the non – distribution of dividends for the fiscal year 2017 in the Annual General Meeting of Shareholders of 2018.

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 Q1 2018, as well as the treasury shares owned as at 31/3/2018 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

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Legal reserve | 108,316 | 111,592 |
| Extraodinary reserve | 13,883 | 13,883 |
| Available for sale reserve | - | 79,467 |
| Financial assets at fair value through other comprehensive income reserve | 90,066 | - |
| Currency translation reserve | (205,470) | (208,272) |
| Other reserves | 41,550 | 41,624 |
| Reserve of defined benefit obligations | (27,763) | (27,271) |
| **Total other reserves** | **20,583** | **11,022** |

| Other reserves movement | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Opening balance | 11,022 | (65,845) |
| Reclassification from available for sale reserve to financial assets at FVTOCI reserve | (79,467) | - |
| Movement of available for sale reserve | - | 87,344 |
| Movement of financial assets at fair value through other comprehensive income reserve | 90,066 | - |
| Transfer from other reserves to retained earnings | (89) | (4,113) |
| Acquisitions, disposals, liquidations and movement in participating interest | (3,261) | - |
| Change in reserve of defined benefit obligations | (492) | (2,465) |
| Foreign exchange differences and other adjustments | 2,803 | (3,899) |
| **Closing balance** | **20,583** | **11,022** |

Amounts in thousand euros (Unless otherwise stated)

| Available for sale reserve movement | 31 March 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 | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Balance 31/12/2017 | - | |
| Reclassification/Remeasurement due to IFRS 9 adoption | 119,147 | |
| **Opening balance at 1/1/2018** | **119,147** | **-** |
| Gains/(losses) from the valuation of bonds | (12,571) | - |
| Gains/(losses) from the valuation of shares | 4,893 | - |
| Impairment losses/ (releases) on bonds | (14,992) | - |
| Recycling of the valuation of securities disposed | (10,967) | - |
| Deferred income taxes | 4,459 | - |
| Foreign exchange differences and adjustments | 98 | - |
| **Closing balance** | **90,066** | **0** |

| Retained earnings movement | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Opening balance | (8,326,871) | (8,004,333) |
| IFRS 9 Transition impact on retained earnings | (1,632,376) | - |
| Profit/ (loss) after tax attributable to the owners of the parent entity | (81,603) | (200,395) |
| Profit/ (loss) from sales of treasury shares | 61 | (83) |
| Payment to the holders of contingent convertible securities (net of tax) | - | (117,481) |
| Transfer between other reserves and retained earnings | 89 | 4,113 |
| Acquisitions, disposals and movements in participating interest | 3,868 | (8,691) |
| **Closing balance** | **(10,036,832)** | **(8,326,871)** |

## 23 Related parties transactions

Related parties include: a) Members of the Bank Board of Directors and key management personnel of the Bank, b) Close family 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) Bank's subsidiaries, e) Bank's associates, f) Bank's 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.

**Amounts in thousand euros** (Unless otherwise stated)

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 covertible bonds of € 165.5 million in December 2017, there were no significant transactions with the HFSF for the period 1/1 - 31/3/2018 and the year 2017.

| | 31/03/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Loans and advances to customers | 3,393 | 39 | 8,892 | 1,887 |
| Due to customers | 903 | 34 | 1,088 | 1,116 |
| Letters of guarantee and letters of credit | - | - | - | - |

| | 1/1-31/3/2018 | | 1/1-31/3/2017 | |
|---|---|---|---|---|
| | Board of Directors' members and key management personnel | Other related parties | Board of Directors' members and key management personnel | Other related parties |
| Income | 10 | 4 | 33 | 128 |
| Expense | - | - | 1 | 68 |

| Members of the Board of Directors and key management personnel benefits | 1/1-31/3/2018 | 1/1-31/3/2017 |
|---|---|---|
| Short term benefits | 1,111 | 1,565 |
| Post employment benefits | 80 | 125 |

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 31/3/2018 amounted to € 3.0 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.

The transactions with associate companies are analysed as follows:

| | Associates | |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| Loans and advances to customers | 1,252,174 | 1,260,734 |
| Derivative financial instruments - assets | - | 5,477 |
| Other receivables | 2,438 | 2,316 |
| Deposits | 55,243 | 61,754 |
| Derivative financial instruments - liabilities | 36,540 | 24,941 |
| Other liabilities | 1,551 | 1,460 |

The allowance for impairment on loans and advances to customers granted to associate companies as at 31/3/2018 amounted to € 86.4 million compared to € 92.7 million as at 31/12/2017.

Amounts in thousand euros (Unless otherwise stated)

| | Associates | |
|---|---|---|
| | 1/1-31/3/2018 | 1/1-31/3/2017 |
| Total expense and capital expenditure | (2,555) | (3,161) |
| Total income | 13,801 | 15,480 |

Letters of guarantee and letters of credit to associates of the Group as at 31/3/2018 amounted to € 11.4 million (31/12/2017: € 7.7 million). The liabilities from property operating leasing of the Group's associate companies as at 31/3/2018 amounted to € 28.8 million (31/12/2017: 30.0 million).

The transactions with joint ventures are analysed as follows:

| | Joint ventures | |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| Loans and advances to customers | 52,025 | 51,818 |

The allowance for impairment on loans and advances to customers granted to joint ventures as at 31/3/2018 amounted to € 4.8 million (31/12/2017: € 8.3 million).

| | Joint ventures | |
|---|---|---|
| | 1/1-31/3/2018 | 1/1-31/3/2017 |
| Total income | 207 | 202 |

## 24 Changes in the portfolio of consolidated companies

The analysis of changes of the consolidated companies' portfolio during Q1 2018 is presented below:

**a) 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.

On 26/3/2018, Piraeus Bank disposed of its total participation in its 100.00% subsidiary company, Piraeus ACT Services S.A.

On 31/3/2018, Piraeus Green Investments S.A., 100.00% subsidiary company of the Bank, was set under liquidation.

**b) 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.

## 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%
- Total Capital Ratio (CAD Ratio): 8%.

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% (2017: 13.000%), which includes: (a) the minimum Pillar I total capital requirements as per article 92(1) of Regulation 575/2013/EU; (b) the additional Pillar II capital requirement as per article 16(2) of Regulation 1024/2013/EU; and (c) the transitional capital conservation buffer of Regulation 575/2013/EU, which for 2018 is set at 1.875%.

The main objectives of 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 its operations, thus to continue providing returns and benefits to its shareholders and ensure the confidence of its customers,
- To retain a sound and stable capital base in order to support the Group's management 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 31/3/2018 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.

**Amounts in thousand euros** (Unless otherwise stated)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Common Equity Tier 1 Capital | 7,029,558 | 7,710,725 |
| Tier 1 Capital | 7,029,558 | 7,710,725 |
| Total regulatory capital | 7,029,558 | 7,710,725 |
| Total risk weighted assets (on and off- balance sheet items) | 50,224,597 | 50,985,761 |
| CET1 Capital ratio | 14.0% | 15.1% |
| T1 Capital ratio | 14.0% | 15.1% |
| Total capital ratio | 14.0% | 15.1% |

As of 31 March 2018, the above mentioned ratios are far exceeding minimum regulatory requirements, confirming the strong capital base of Piraeus Bank Group.

2018 EBA EU-Wide Stress Test

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

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

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

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

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

Amounts in thousand euros (Unless otherwise stated)

## 26 Restatements/ reclassifications of comparative period

The restatements/ reclassifications that took place in the Consolidated Interim Income Statement, in the Consolidated Interim Statement of Total Comprehensive Income as well as in the Consolidated Interim Cash Flow Statement for the period 1/1-31/3/2017 are presented below. The restatements took place mainly due to the classification of the companies Piraeus Bank Romania S.A., Piraeus Bank Beograd A.D. and Piraeus Leasing Doo Beograd in the discontinued operations.

Moreover, during the period 1/1 - 31/3/2017, due to comparison purposes, the Bank restated the credit card expenses associated with interest and administrative expenses into the commission and fee expenses.

| Consolidated Interim Income Statement | From 1 January to 31 March 2017 | | |
|---|---|---|---|
| | Published amounts | Restatements | Restated amounts |
| Interest and similar income | 596,336 | (14,385) | 581,951 |
| Interest expense and similar charges | (156,064) | 3,026 | (153,037) |
| **Net interest income** | **440,273** | **(11,359)** | **428,914** |
| Fee and commission income | 91,983 | (1,921) | 90,062 |
| Fee and commission expense | (10,972) | (1,727) | (12,699) |
| **Net fee and commission income** | **81,011** | **(3,648)** | **77,364** |
| Dividend income | 157 | (1) | 156 |
| Net income from financial instruments measured at fair value through profit or loss | 9,590 | (950) | 8,640 |
| Results from investment securities | 22,339 | - | 22,339 |
| Results from the disposal of participation of subsidiaries and associates | (173) | - | (173) |
| Other income/ (expenses) | (1,539) | (287) | (1,826) |
| **Total net income** | **551,659** | **(16,244)** | **535,415** |
| Staff costs | (144,423) | 8,670 | (135,752) |
| Administrative expenses | (121,848) | 7,872 | (113,976) |
| Depreciation and amortisation | (26,729) | 1,740 | (24,989) |
| Gains/ (losses) from sale of property and equipment and intangible assets | (970) | (5) | (974) |
| **Total operating expenses before provisions** | **(293,969)** | **18,277** | **(275,692)** |
| **Profit before provisions, impairment and income tax** | **257,690** | **2,033** | **259,723** |
| Impairment losses on loans and advances to customers | (258,457) | 488 | (257,969) |
| Impairment losses on other assets | (7,286) | 413 | (6,874) |
| Other impairment losses | (1,525) | - | (1,525) |
| Other provision releases/ (charges) | (2,706) | 1,583 | (1,124) |
| Share of profit/ (loss) of associates and joint ventures | (7,125) | - | (7,125) |
| **Profit/ (loss) before income tax** | **(19,410)** | **4,516** | **(14,894)** |
| Income tax benefit/ (expense) | 12,927 | (84) | 12,843 |
| **Profit/ (loss) for the period from continuing operations** | **(6,483)** | **4,432** | **(2,051)** |
| Profit/ (loss) after income tax from discontinued operations | (1,328) | (4,432) | (5,760) |
| **Profit/ (loss) for the period** | **(7,811)** | **0** | **(7,811)** |
| **From continuing operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | (6,035) | 4,432 | (1,603) |
| Non controlling interest | (448) | - | (448) |
| **From discontinued operations** | | | |
| Profit/ (loss) attributable to equity holders of the parent entity | (1,421) | (4,432) | (5,853) |
| Non controlling interest | 93 | - | 93 |
| **Earnings/ (losses) per share attributable to equity holders of the parent entity (in €):** | | | |
| From continuing operations | | | |
| - Basic and diluted | (0.0004) | (0.0033) | (0.0037) |
| From discontinued operations | | | |
| - Basic and diluted | (0.0036) | (0.0098) | (0.0134) |

Amounts in thousand euros (Unless otherwise stated)

| Consolidated Interim Statement of Total Comprehensive Income | From 1 January to 31 March 2017 | | |
|---|---|---|---|
| | Published amounts | Restatements | Restated amounts |
| **CONTINUING OPERATIONS** | | | |
| **Profit/ (loss) for the period (A)** | **(6,483)** | **4,432** | **(2,051)** |
| **Other comprehensive income, net of tax:** | | | |
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in available for sale reserve | 11,776 | 451 | 12,227 |
| Change in currency translation reserve | (1,911) | 842 | (1,069) |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve of defined benefit obligations | (7) | - | (7) |
| **Other comprehensive income, net of tax (B)** | **9,858** | **1,293** | **11,151** |
| **Total comprehensive income, net of tax (A+B)** | **3,375** | **5,725** | **9,100** |
| - Attributable to equity holders of the parent entity | 3,834 | 5,725 | 9,559 |
| - Non controlling interest | (459) | - | (459) |
| **DISCONTINUED OPERATIONS** | | | |
| **Profit/ (loss) for the period (C)** | **(1,328)** | **(4,432)** | **(5,760)** |
| **Other comprehensive income, net of tax:** | | | |
| **Amounts that can be reclassified in the Income Statement** | | | |
| Change in available for sale reserve | - | (451) | (451) |
| Change in currency translation reserve | (5) | (842) | (847) |
| **Amounts that cannot be reclassified in the Income Statement** | | | |
| Change in reserve of defined benefit obligations | - | - | - |
| **Other comprehensive income, net of tax (D)** | **(5)** | **(1,293)** | **(1,298)** |
| **Total comprehensive income, net of tax (C+D)** | **(1,333)** | **(5,725)** | **(7,058)** |
| - Attributable to equity holders of the parent entity | (1,426) | (5,725) | (7,151) |
| - Non controlling interest | 93 | - | 93 |

| Consolidated Interim Cash Flow Statement | From 1 January to 31 March 2017 | | |
|---|---|---|---|
| | Published amounts | Restatements | Restated amounts |
| Net cash inflow/ (outflow) from operating activities | 318,714 | (26,727) | 291,986 |
| Net cash inflow/ (outflow) from investing activities | (388,202) | 45,119 | (343,083) |
| Net cash inflow/ (outflow) from financing activities | (6,282) | - | (6,282) |
| Total cash inflows/ (outflows) for the period | **(75,770)** | **18,391** | **(57,378)** |
| Effect of exchange rate fluctuations on cash and cash equivalents | (3,565) | 1,918 | (1,647) |
| **Net increase/ (decrease) in cash and cash equivalents from continuing operations (A)** | **(79,334)** | **20,309** | **(59,026)** |
| **Net increase/ (decrease) in cash and cash equivalents from discontinued operations (B)** | **10,895** | **(37,905)** | **(27,009)** |
| **Cash and cash equivalents at the beginning of the period (C)** | **1,814,951** | **(277,823)** | **1,537,128** |
| **Cash and cash equivalents at the end of the period (A)+(B)+(C)** | **1,746,512** | **(295,419)** | **1,451,093** |

**Amounts in thousand euros** (Unless otherwise stated)

## 27 Events subsequent to the end of the period

- 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 approvals by the HFSF, the National Bank of Serbia and the Serbian Competition Authority.

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

Athens, 10 May 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 |