

## FIRST HALF 2010 RESULTS

### Improvement of Organic Profitability



Athens - 26 August 2010

#### Management Statement

The second quarter of 2010 turned out to be one of the most critical periods for the Greek economy. The fiscal crisis imposed the country's accession to the European support mechanism and the initiation of structural reforms, which were delayed for a number of years. While the effort, currently under way, is challenging, it presents a significant opportunity for the country to go forward. Addressing the chronic structural weaknesses and freeing the system from past rigidities can promote entrepreneurship and unleashing the country's growth potential, which is the safest route to long term economic and social prosperity.

Within this environment, the Greek banking industry has faced challenges, but on the back of strong fundamentals and prudent choices during the period of high growth, has found itself well prepared to weather the crisis. In Q2 '10, Piraeus Group effectively managed the volatility of the economic environment and succeeded in improving its organic profitability. For the second semester of 2010 and according to current indications, the Group's performance is expected to be resilient.

**Michalis Sallas, Chairman & CEO**

During the H1'10, the Group's pre-provision profitability was strengthened by 14% and reached €334 mn from €292 mn last year. Net interest income had the largest contribution, up by 12% y-o-y, reaching €591 mn. Operating cost was maintained at H1'09 level, while the goal for full year 2010 is to set at a lower than 2009 level. Provisions increased by 30% reaching €268 mn compared to €207 mn in H1'09, maintaining the loans in arrears coverage ratio at 50%. As a result, net profit amounted to €30 mn in Q2 '10, excluding the one-off tax of €28 imposed on Greek companies for 2009 profit, versus to €7 mn in Q1'10.

**Stavros Lekkakos, Deputy CEO**

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INVESTORS  
IN PEOPLE



Piraeus Bank Group ([www.piraeusbank.gr](http://www.piraeusbank.gr)) was founded in 1916 and was listed in the Athens Stock Exchange in 1918. The Bank operated through a period of private-ownership and management and in 1975 it passed to state-ownership until 1991 when it was privatized again. Since then, it has continuously grown in size and activities. At the end of June 2010, the Group possessed a network of 878 branches (360 in Greece and 518 internationally) and employed 13,362 people (6,518 and 6,844 respectively). Piraeus Bank Group's total equity (including the preferential shares of the Greek State) amounted to €3.4 bn, customer deposits to €29.7 bn, net loans €38.5 bn and total assets to €56.6 bn.

Piraeus Bank Group, combining business development and social responsibility, endorses systematically its relations with its social partners through specific actions, as well as the broader social environment, while emphasis is placed on the protection of the natural and cultural environment.

# Group Performance Highlights 1 January – 30 June 2010

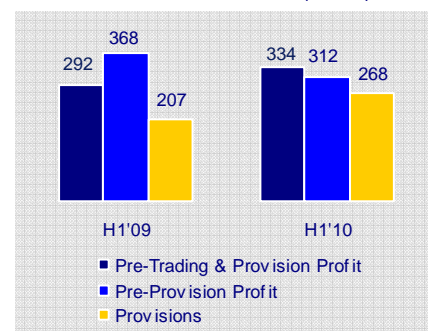
## H1 2010 Results

- Pre-provision profit stemming from recurring sources (excluding trading results) increased by 14% y-o-y at €334 mn (€292 mn H1'09), up by 8% compared to Q1'10 at €173 mn (€161 mn Q1'10).
- Pre-provision profit reached €312 mn, -15% y-o-y (€368 mn in H1'09). This decrease was attributed to trading losses of €22 mn compared to trading gains of €76 mn in H1'09.
- Net interest income amounted to €591 mn, +12% y-o-y, (€528 mn in H1'09). The increased cost of time deposits was mitigated by the improved yield of the asset side elements.
- Net Interest Margin (NIM on average interest earning assets) in H1'10 increased to 2.7% compared to 2.5% in H1'09, while NIM was 2.6% in FY'09
- Operating cost remained flat y-o-y (€418 mn, versus €417 mn in H1 '09). For the full year 2010, operating cost is expected to be lower compared to 2009.
- Cost to income ratio was 57% in H1'10 (53% in H1'09). Excluding trading results, the ratio (i.e. over organic income) reached 56% vs 59%, the respective ratio in H1' 09.
- Provisions amounted to €268 mn (+30% vs €207 mn in H1'09) corresponding to 137 bps on average loans (107 bps in H1'09).
- Net profit attributable to shareholders was €37 mn, versus €128 mn in H1'09. Net profit in Q2'10 stood at €30 mn vs €7 mn in Q1'10. However, the result was burdened by the one-off tax of €28 mn (imposed on Greek companies for 2009 profits) and net profit in H1'10 amounted at €10 mn.

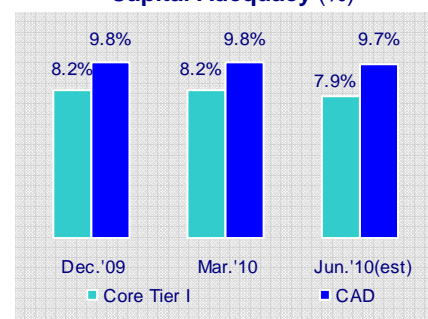
## Volumes as of June 30<sup>th</sup> 2010

- Total Assets reached €56.6 bn, +5% y-o-y.
- Net loans amounted to €38.5 bn, increased by 3% y-o-y and 2% q-o-q.
- Deposits stood at €29.7 bn (-7% y-o-y, -3.5% y-t-d).
- Loans to deposits ratio, adjusted for self-funded loans, was 111%
- Loans in arrears above 90 days stood at 6.0%, with the respective provision coverage ratio at 50.2%, at the same level as in Dec.'08 and Dec.'09. The coverage ratio reached 110%, when the tangible collaterals are taken into account.
- Total equity stood at €3.4 bn. Regulatory capital amounted to €3.7 bn with capital adequacy ratio of 9.7% (est.), Tier I at 8.8% (est.), Core Tier I at 7.9% (est.).

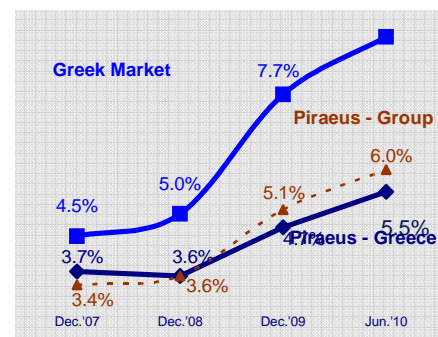
## Results Evolution (€ mn)



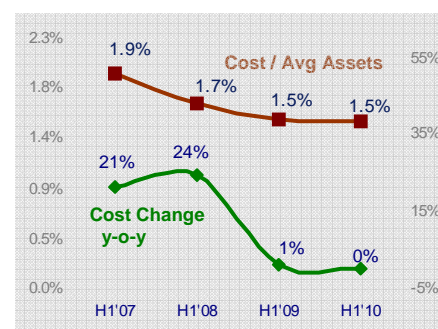
## Capital Adequacy (%)



## NPLs > 90 days (%)



## Operating Cost Evolution (%)



# Key Figures of Piraeus Bank Group in June 2010

(balance sheet data at the end of the period, income statement data for the semester period)

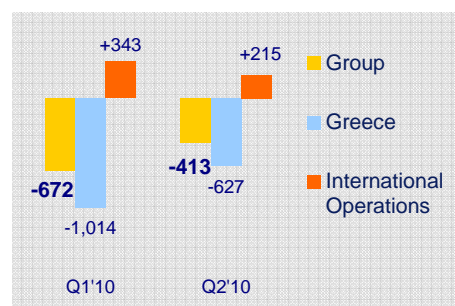
Consolidated Data	30 June 2010	30 June 2009	Δ y-o-y
<b>Selective Volume Figures (€ mn)</b>			
Assets	56,591	53,961	5%
Net Loans	38,486	37,463	3%
Deposits & retail bonds	29,671	31,778	-7%
Debt Securities to Institutional Investors	3,303	4,230	-22%
"Self-funded" Loans	5,467	3,371	62%
Total Equity	3,362	3,631	-7%
▫ Common Shareholders' Capital	2,834	3,118	-9%
▫ Minorities	162	147	11%
▫ Preference Shares	366	366	0
Regulatory Capital Tier I	3,339	3,426	-3%
<b>Summary Results (€ mn)</b>			
Net Interest Income	591	528	12%
Net Fee & Commission Income	100	101	-1%
Trading Results	-22	76	>-100%
Other Income	62	76	-19%
Total Net Revenues	731	780	-6%
Total Operating Cost	418	417	0%
Pre-provision Profit	312	368	-15%
Pre-trading and provision Profit	334	292	14%
Provisions	268	207	30%
Pre-tax Profit	44	161	-73%
Net Profit Attributable to Shareholders	37	128	-71%
One-off tax for profits posted in 2009*	28	-	
Net Profit Attributable to Shareholders including one-off tax	10	128	-92%
* total one off tax €27.6 mn, attributed to shareholders €27.3 mn			
<b>Other Key Information ( %)</b>			
Loans / Deposits (adj. for 'self funded' loans)	111.3%	107.3%	400 bps
NPLs > 90 days	6.0%	4.4%	156 bps
Coverage of NPLs > 90 days	50.2%	47.5%	269 bps
NIM to Average Earning Assets	2.67%	2.48%	19 bps
Cost / Income	57.2%	53.5%	377 bps
Cost / Income (excluding trading)	55.6%	59.2%	-362 bps
Cost/Average Assets	1.51%	1.53%	-2 bps
Provision Expenses to Average Loans	1.37%	1.07%	30 bps
Capital Adequacy (Basel II)	9.7%	11.2%	-150 bps
▫ Tier I ratio	8.8%	9.3%	-51 bps
▫ Core Tier I	7.9%	8.4%	- 46 bps

## Volumes Evolution

**Deposits** and retail bonds amounted to €29.7 bn at the end of June 2010, decreased by 7% y-o-y. The loans / deposits ratio (adjusted for 'self funded' loans €5.5 bn) was set at 111% compared to 107% a year ago.

In Greece, deposits amounted to €24.3 bn while in international operations deposits reached €5.4 bn. In Q2'10 Group deposits decreased by 1.4% vs -2.2% in Q1'10. Respectively, in Greece, deposits decreased by 2.5% vs -3.9% in Q1'10, while international deposits continued their positive performance in Q2'10 recording an increase of 4% versus 7% in Q1'10.

## Group Deposits per Quarter 2010 (%)



## Deposits Evolution in H1'10

During H1'10, Greek market deposits decreased by 7%; this was attributed mainly to households. Since the beginning of the year, 11% of the deposit outflows stemmed from sight deposits, 30% from savings accounts and 59% from term deposits.

Piraeus Group deposits in Greece show a reduction of 6% during the same period. In the first quarter, the reduction of Group deposits in Greece was 4%, at the same level as the Greek market's decline, and the 2<sup>nd</sup> quarter -2.5%, slightly improved compared to the market (-3.2%). The decline relates to the outflow of term deposits, especially during the 2<sup>nd</sup> quarter of the year, and to businesses using cash reserves in order to pay their obligations.

At the end of June 2010, group net loans amounted to 38.5 bn with an increase of 3% y-o-y. In Greece, the loan portfolio balance amounted to €30.0 bn (+4% y-o-y), while loans from international operations amounted to €8.4 bn (-1% y-o-y).

Per customer category, at the end of June '10:

- total business portfolio increased by 5% y-o-y,
- loans to individuals increased by 2% y-o-y with mortgages +4% and consumer loans and credit cards -2%,
- loans to medium and small businesses constituted 47% of total loans, loans to individuals 30% and loans to large enterprises accounted for 23%.

## Group Volume Analysis (€ mn, Jun.'10 Δ% y-o-y)

### Loans per Type

Loans to Businesses	27,916	5%
Loans to individuals	11,767	2%
<b>Total Loans</b>	<b>39,682</b>	<b>4%</b>
Cumulative Provisions	1,196	48%
<b>Net Loans*</b>	<b>38,486</b>	<b>3%</b>

\*'self funded' loans €5.5 bn

### Deposits per Type

Sight-Savings	8,984	-1%
Term	20,687	-9%
<b>Total</b>	<b>29,671</b>	<b>-7%</b>



## Evolution of non-performing loans in H1 '10

During the first months of 2010, the course of non-performing loans in the Greek Market has further deteriorated. The market NPLs ratio reached 8.2% in March 2010 from 7.7% at the end of 2009.

According to the recent Bank of Greece report on the Financial Stability of the Greek Banking sector, the NPLs formation increased to 3.9% in 2009 from 2.4% in 2008. The respective ratios of NPLs formation for Piraeus Group is 1.2% in 2008 and 1.9% in 2009, an indication of Piraeus quality of asset portfolio despite the challenging economic environment.

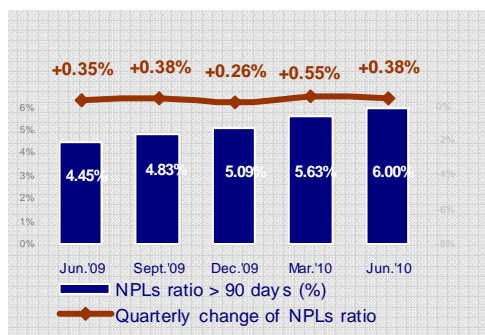
Piraeus Group's NPLs in Greece were significantly lower than the market average, a difference that has been widened during the economic crisis.

The credit culture adopted by Piraeus Group during the past years as well as the management policy to avoid high risk customer segments, by collaterals and by monitoring closely all credit exposure, provides strong protection vis a vis the quality of the Group's asset portfolio.

### Asset Quality

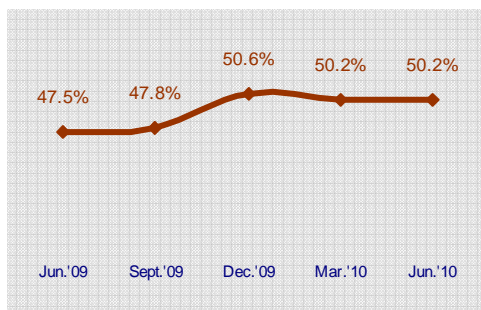
Loans in arrears over 90 days ratio reached 6,0% in June 2010 due to the difficult economic conditions.

Loans in Arrears > 90 days (%)



The NPLs>90 days coverage from cumulative provisions stood at 50.2% at the end of June 2010 from 47.5% a year earlier. The write-offs of H1'10 reached €68 mn. The average loans in arrears over 90 days for the Greek market was 8.2% in March 2010, while the correspondent average NPLs coverage ratio from provisions at 42.8% (source: Bank of Greece)

Coverage Ratio of NPLs > 90 days (%)

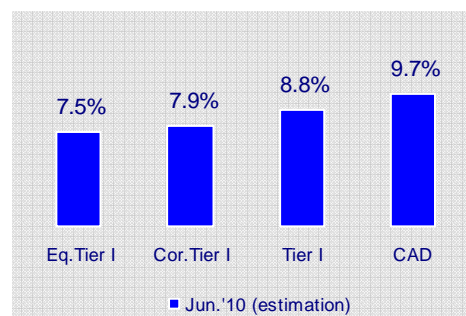


### Capital – Capital Adequacy

At the end of June 2010 the Group's total equity stood at €3.4 bn reduced by 7% versus the end of 2009. This reduction is mainly attributed to the Available for Sale (AFS) portfolio reserve movement. The latter has been affected from the valuation of the Greek Government bond portfolio which came as a result of the significant widening of relevant spreads against German bonds.

At the end of June 2010 the capital adequacy ratio stood at 9.7% (est.) with Tier I at 8.8% (est.). Core Tier I ratio amounted to 7.9% (est.) excluding the preference shares and adjusting hybrid for intangible assets. According to the international definition of Equity Tier I (excluding hybrid and preference shares), the ratio reached 7.5% (est.). The Group's total regulatory capital was €3.7 bn at the end of June 2010.

Capital Adequacy & Quality Ratios (%)



## Evolution of Results

Pre-trading and provision profit for H1'10 increased by 14% and reached €334 mn against €292 mn in H1'09. Including trading results, pre-provision profit for H1'10 reached €312 mn against €368 mn in H1'09, reduced by 15%, due to trading losses of €22 mn against profits of €76 mn in H1'09.

The increase of recurring revenues has been significant. Net interest income recorded a 12% y-o-y increase and reached €591 mn.

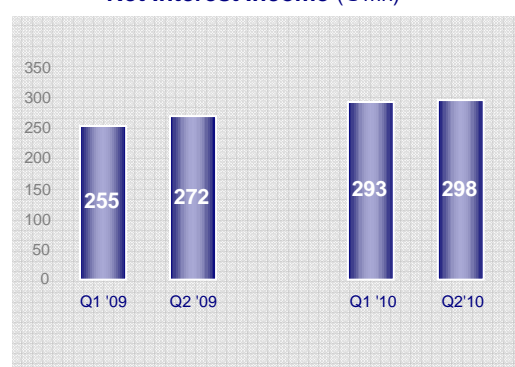
Operating costs amounted to €418 mn and have remained stable on an annual basis in line with the target for the end year (total operating expenses are expected to set at 2009 or lower level).

The results of the H1'10 were burdened from the 30% y-o-y increase in provisions, due to the adverse economic conditions. Hence, provision expense reached €268 mn.

Net profit attributable to the shareholders in H1 '10 stood at €37 mn versus €128 mn a year ago. However, including the one-off tax of €28 mn, which was imposed on all large Greek companies for profit posted in 2009, net profit amounted to €10 mn, reduced by 92%.

Results & Ratios	H1 '10	Δ% y-o-y
Pre-provision profit (excluding trading results)	334	14%
Pre-provision profit	312	-15%
Provision Expense	268	30%
Pre-tax profit	44	-73%
Net profit	10	-92%
Net profit exclude. one-off tax	37	-71%

Net Interest Income (€ mn)



## Profitability of International Operations

International assets constitute 21% of the Group's total assets, with a broad dissemination (presence in 9 countries). International operations represent 59% of the Group's branch network and 51% of the total personnel employed by the Group.

International operations' pre-tax and provisions profit in H1'10 amounted to €162 mn increased by 10% y-o-y.

Pre-tax profit from international operations during the 1st half of 2010 reached €44 mn reduced by 17% y-o-y, due to the increase of provisions by 25% y-o-y. Net revenues recorded an annual growth rate of 8%, whereas operating cost increased by 6%. As percentage of the average loans, pre-provision profit stood at 3.7% vs 3.3% in H1'09, while provision expense stood at 2.7% vs 2.1% respectively.

Analysis of Results	H1 '10	Δ% y-o-y
<b>Greece – International (€ mn)</b>		
<b><u>Net Operating Revenues</u></b>		
Greece	429	-14%
International	302	8%
<b>Total</b>	<b>731</b>	<b>-6%</b>
<b><u>Operating Cost</u></b>		
Greece	279	-2%
International	140	6%
<b>Total</b>	<b>418</b>	<b>0%</b>
<b><u>Pre-provision profit</u></b>		
Greece	150	-32%
International	162	10%
<b>Total</b>	<b>312</b>	<b>-15%</b>
<b><u>Provision Expense</u></b>		
Greece	150	34%
International	118	25%
<b>Total</b>	<b>268</b>	<b>30%</b>
<b><u>Pre-Tax Profit</u></b>		
Greece	-1	vs profits
International	44	-17%
<b>Total</b>	<b>44</b>	<b>-73%</b>

## Revenue Analysis

Total operating revenues in H1 '10 stood at €731 mn, reduced by 6% vs H1 '09. In more detail:

- Net Interest Income reached to €591 mn increased by 12% y-o-y due to improved return of the asset side. In Q2, net interest income was increased by 2% (q-o-q)
- Net Commission Income amounted €100 mn, reduced by 1% y-o-y, (and increased by 9% q-o-q). Especially commercial banking fees, show an increase of 2%.

Net Commissions (€ mn)	H1 '10	Δ% y-o-y
Commercial Banking	83	2%
Investment Banking	12	-21%
Asset Management	4	16%
<b>Σύνολο</b>	<b>100</b>	<b>-1%</b>

- Trading results were negative by €22 mn against profits of €76 mn in H1 '09, due to the negative impact to the trading portfolio, as a result of the significant widening of the Greek bond spreads against German bonds.
- Other Operating Income amounted to €56 mn, reduced by 14% y-o-y. 92% comes from financial services companies, with the larger part stemming from operating leasing activities.

Other Operating Income (€ mn)	H1 '10	Δ% y-o-y
Financial Sector Companies	51	63%
Real Estate Companies	3	-89%
Other	1	-8%
<b>Total</b>	<b>56</b>	<b>-14%</b>

## Expense Analysis

Operating expenses in H1'10 remained almost at the same level of the respective period last year (€418 mn vs €417 mn respectively). The operating cost in Greece decreased by 2% on a yearly basis, while abroad increased by 6%.

Cost containment, remains a priority target for 2010. To this end, the remuneration of the Board of Directors, Executive Board and other senior management members was reduced.

Personnel costs reached €200 mn with 1% reduction y-o-y. Other administrative expenses amounted to €171 mn, raised by 1% yearly.

Analysis for Selected Cost Elements (€ mn)	H1 '10	Δ% y-o-y
<b><u>Personnel Costs</u></b>		
Greece	143	-3%
Abroad	57	4%
<b>Total</b>	<b>200</b>	<b>-1%</b>

<b><u>Administrative Expenses</u></b>		
Greece	115	0%
Abroad	56	2%
<b>Total</b>	<b>171</b>	<b>1%</b>

For the full year of 2010, administrative expenses have been budgeted to be at a lower level versus 2009.

Operating cost to average assets remained to the same level with H1 '09 to 1.5%. The cost to income ratio stood at 57.2% from 53.5% in H1 '09. On a quarterly basis the ratio improved to 55.3% from 59.4% in Q1 '10. Cost to income ratio excluding trading results in the first half of 2010 improved to 55.6% from 59.2% in H1 '09.

## Provision Expense

The level of provisions for loan impairments rose to €268 mn in the first half of 2010 vs €207 mn in the respective period of 2009.

Expressed as a percentage of average loans, the provision expense reached 137 bps (99 bps for Greece and 269 bps abroad) from 107 bps at group level in H1'09 (75 bps in Greece and 215 bps abroad).

As a result of the provisions' increase the NPLs coverage ratio stood at 50.2% in June 2010 from 47.5% a year ago, while the ratio remained at the same level on a quarterly basis.

## Latest Developments in the Banking Sector

The liquidity of the Greek banking system during H1'10, was negatively affected by the continuous downgrades of the Greek State's credit rating, the restricted access to the interbank market, and the outflow of customers' deposits as a result of high uncertainty surrounding the country's fiscal developments. During this period, ECB has been the main source of liquidity for the Greek banks through 'Main Refinancing Operations' with collaterals (MRO). During Q2'10, the Greek banks' liquidity was strengthened by an additional €15 bn extension of Government guarantees provided to banks for bonds issuance. An additional €25 bn extension of the Government guarantees is expected.

Piraeus Bank, responding to the calls by the Greek government and the Bank of Greece regarding the restructuring of the Greek banking system, as well as the sector's need to adapt to the new conditions, made an offer on the 14th of July 2010 to concurrently acquire from the Greek State 77.31% of Agricultural Bank of Greece S.A. and 33.04% of Hellenic PostBank S.A.. The offer is being reviewed by the Greek government. Piraeus Bank has appointed BofA Merrill Lynch, Goldman Sachs International and UBS Investment Bank as its financial advisors in connection with the acquisitions.

## Share Price Data

During the last twelve months, Piraeus Bank's closing share price varied between €13.30 (maximum, on 20.10.09) and €3.36 (minimum, on 29.06.10).

Piraeus Bank's capitalisation on 25.08.10, amounted to €1.3 bn, ranked in the 10th position on the ATHEX. The number of common shares at the end of June was 336,272,519.

Piraeus Bank's share liquidity remained high at 53% (Jan.'10-Jun.'10) versus 33% of the FTSE/ASE banking sector and 23% of the ATHEX total listed shares.

**Athens, 26 August 2010**

*Note: Financial Data and Information coming from the First Half 2010 Financial Statement will be published in the press on August 28<sup>th</sup> 2010 and will be available along with the financial statements on the Bank's corporate site [www.piraeusbank.gr](http://www.piraeusbank.gr) after the trading session of ATHEX on 27<sup>th</sup> August.*