Significant Improvement of Organic Profitability

Management Statements

“The Greek economy continues to display signs of gradual recovery. Performance is encouraging both in the fiscal sector and in terms of competitiveness (current account balance). The following period will confirm the anticipated return to growth of the Greek economy, an event that will also mark the gradual decline in unemployment which is the major issue for the economy and society.

Piraeus Bank contributes to the recovery of the Greek economy, having a solid capital base and ample liquidity. Moreover, the Group continued to support the business sector of the country as it’s confirmed by its business loans disbursements that amounted to € 1.2 bn (+13%) in Q2 2014, of which € 0.7 bn (+16%) were granted to medium and small businesses.

The Greek banking system, having strengthened its position in the last two years, is participating in the ECB Comprehensive Assessment, that includes an Asset Quality Review of the participating banks and a Stress Test, the results of which are expected to be announced in October. The Bank participates in the Assessment from a high starting position with a capital adequacy ratio of 14% as of 31.12.13, which was further strengthened both by the recent share capital increase, and the approved Restructuring Plan which is already under implementation.

The Bank’s solid capital base, along with its leading position in the Greek economy, combined with the measures that are being promoted for the remediation of troubled loans, pave the way Piraeus Bank to contribute decisively to the recovery of the Greek economy.

Michalis Sallas, BoD Chairman

“Piraeus Group’s recurring pre-tax and provision profitability for Q2 2014 amounted to €295 mn, 17% higher compared to Q1 2014. Net interest income increased 4% on a quarterly basis and amounted to €500 mn benefitting from the significant de-escalation of time deposit cost in Greece. NPLs formation significantly dropped for the sixth consecutive quarter and amounted to €500 mn compared to €773 mn in Q1 2014 (-35%). The coverage ratio of non-performing loans by provisions stood at 51%, while the ratio of cumulative provisions to gross loans was 20%. Net result from continuing operations attributable to shareholders for Q2 2014 amounted to a profit of €164 mn substantially improved compared to Q1 2014 (-€247 mn).

The Group’s liquidity further improved, with the net loans to deposits ratio setting at 108% in June 2014 from 111% at the end of December 2013. The Group’s capital adequacy improved on a quarterly basis with the Common Equity Tier 1 ratio standing at 15.0% (+0.5% qoq) according to the Basel III framework. The ratio incorporates the share capital increase and the repayment of the preference shares owned by the Hellenic Republic in Q2 2014.

Piraeus Group focuses on further reducing its funding cost, improving its operational efficiency also through the exploitation of synergies stemming from the acquisitions, effectively managing troubled loans with proper planning, tools and long-term solutions, but above all on financing viable business plans necessary for the re-vitalizing of the Greek economy.”

Stavros Lekkakos, Managing Director & CEO

Group Performance Highlights

Q2 2014 Results

- **Recurring pre-tax and provisions profitability** amounted to €295 mn in Q2 2014, 17% higher versus Q1 2014, (excluding €28 mn one-off costs related to integration and acquisitions, and €144 mn one-off other operating income).
- **Net interest income** for the Group continued its upward trend on a quarterly basis and amounted to €500 mn, 4% higher compared to Q1 2014.
- **Further de-escalation of time deposits cost** in June to 262 bps compared to 288 bps in March 2014 and 305 bps in December 2013, contributed significantly in improving the net interest income.
- **Net fees & ccommissions income** amounted to €80 mn in Q2 2014, displaying stabilization compared to the previous quarter.
- **Trading gains** in Q2 2014 reached €49 mn positively affected by the Bank's divesting programme and focusing on its core banking activities.
- **Other operating income** amounted to €138 mn, including income from the restructuring of the troubled loan portfolio.
- **Net operating revenues** amounted to €781 mn compared to €553 mn in Q1 2014.
- **Operating expenses** amounted to €371 mn, including one-off integration costs related to the acquired banking operations that amounted to €28 mn.
- The **cost to income ratio** on a recurring basis improved to 54% in Q2 2014, compared to 56% in the preceding quarter.
- **Loan impairment charges** amounted to €476 mn or 2.6% of average gross loans in Q2 2014 at the same level as in Q1 2014.
- **Net result** from continuing operations attributable to shareholders amounted to a profit of €164 mn significantly improved versus Q1 2014 (-€247 mn).

Volumes as of 30 June 2014

- Group **total assets** amounted to €88.5 bn, recording a 1% decline compared to March 2014 mainly attributed to the loan deleveraging and the repayment of the Pillar I Bonds of Greek State (€1.2 bn)
- **Deposits** were €54.4 bn, stabilized when compared to both the two previous quarters.
- **Gross loans prior to adjustments** continued their moderate deleveraging course (-1% qoq), in an environment of negative economic growth with low demand, and amounted to €73.1 bn. Net loans amounted to €58.7 bn.
- **Net loans to deposits ratio** further improved in June 2014 to the level of 108% versus 109% in March 2014, while the net Eurosystem funding ratio (excluding EFSF bonds pledged as collateral to ECB) declined further to 6.7% of total assets.
- The **loans in arrears** over 90 days ratio reached 38.5%, while the new non-performing loans formation in Q2 2014 continued the downward trend for the 6th consecutive quarter (as percentage of loans at 68 bps from 105 bps in Q1 2014), while the coverage ratio of loans in arrears > 90 days by cumulative provisions remained at 51%.
- The ratio of **cumulative provisions to gross loans** increased at the end of June 2014, reaching the particularly high level of 19.6% for the Group and 19.8% for the domestic portfolio, versus 16.2% for the total Greek market.
- **The total equity** of the Group amounted to €9.4 bn, while the Group's Common Equity Tier I ratio according to Basel III, increased to 15.0% compared to 14.5% at end-March 2014 (March data pro-forma for the capital increase and the redemption of the preference shares).
- The Group's **branch network** at the end of June 2014 comprised of 1,277 units, of which 889 branches operated in Greece and 388 in 9 countries internationally. On June 30, 2014 branches in Greece were decreased by 148 units since the beginning of 2014, under the rationalization programme and 24 branches abroad. The **Group's headcount** was 22,343 people, 16,541 in Greece and 5,802 in international operations. Noted that staff in Greece is reduced by 14% since December 2012 on a comparable basis.

Key Figures of Piraeus Bank Group

Consolidated Data (in € mn)	30.06.14	31.12.13
Selected Balance Sheet Figures		
Assets	88,451	92,010
Deposits	54,423	54,279
Gross Loans before Adjustments [1]	73,059	76,114
Cumulative Provisions [1]	(14,346)	(13,748)
Total Equity	9,366	8,543
Summary Results	**Q2 2014**	**Q1 2014**
Net Interest Income	500	479
Net Fees & Commission Income	80	80
Net Trading Income & Gain less losses from Investment Sec.	49	(15)
Other Operating Income[2] & Dividend Income	152	9
Net Revenues	**781**	**553**
Personnel Expenses	(176)	(190)
Administrative Expenses[3]	(150)	(123)
Depreciation & Other Expenses	(45)	(43)
Total Operating Costs	**(371)**	**(355)**
- **of which one-off integration costs**	**(28)**	**(32)**
Pre Provision Income	**411**	**198**
- **recurring PPI**	**295**	**252**
Share of Profit of Associates	8	(4)
Impairment on Loans[2]	(476)	(481)
Impairment on Other Assets & Other Impairments	(58)	(35)
Pre-Tax Result	**(114)**	**(322)**
Income Tax	(279)	(75)
- of which deferred tax[4]	(290)	(84)
Share of Bank shareholders in result after tax from continuing operations	**164**	**(247)**
Result After Tax from Discontinued Operations	1	(2)

[1] *The amount includes the fair value adjustment of €8.0 bn, related to credit risk, from the loans acquired by "good" part of ATEbank, Geniki Bank, the domestic loans of the 3 Cypriot banks and those of Millennium Bank Greece. Also, gross loans in 2013 include the seasonal loan of €1.9 bn to OPEKEPE for the disbursement of EU agricultural subsidies, already repaid in February 2014.*

[2] Q2 2014 incorporates income €39 mn related to the positive impact from fair value adjustment of acquired loans. For comparability reasons this amount was transferred from the line other income to impairment on loans.

[3] On a comparable basis €136 mn in Q2 2014 vs €145 mn in Q2 2013 or -7% (excluding integration costs and incorporating Millennium Bank in Q2 2013).

[4] It includes a deferred tax asset of approx.€200 mn and part of the deferred tax amount that had not been previously recognized and which is booked in Q2 2014, following the approval of the Group's Restructuring Plan.

Volume Evolution

The Group's total deposits amounted to €54.4 bn at the end-June 2014, marking a stabilization both on a quarterly and a year to date basis. In Greece, Group deposits were stable since the beginning of the year which is in line with the market. It is noted that the Bank holds the leading position in the Greek banking market with a deposit market share of 28%. Deposits of the Group's international operations rose 3% quarterly and 10% annually stood at €4.9 bn representing 9% of Group's total deposits.

Gross loans before adjustments at the end of June 2014 amounted to €73.1 bn versus €73.6 bn in March 2014 (-1%) with the moderate deleveraging trend continuing. This trend is expected to reverse by 2015 in function with the gradual recovery of the Greek economy. Business loans decreased -0.4% and loans to individuals -1.4% on a quarterly basis. Loans in Greece were at €66.2 bn and loans in international operations at €6.9 bn (9% of total loans). Business loans represented 65% of total Group loans, whereas retail loans 35% (24% mortgages and 11% consumer loans). Based on June 2014 data, Piraeus Bank's loan market share in Greece was 30%.

Group Volume Analysis	Amounts (€ mn)	Composition (%)
Gross loans before adjustments per type		
Loans to businesses	47,738	65%
Loans to individuals	25,321	35%
Total loans	**73,059**	**100%**
• Greece	66,199	91%
• International	6,860	9%
Deposits per type		
Sight-Savings	21,333	39%
Term	33,090	61%
Total deposits	**54,423**	**100%**
• Greece	49,494	91%
• International	4,929	9%

The Group's loans to deposits ratio improved further and reached 108% at the end of June 2014 (107% in Greece, 115% abroad), versus 109% in March 2014 and 111% in December 2013 (excluding the seasonal loan to OPEKEPE). On June 30, 2014 Piraeus Bank's Eurosystem funding was further reduced compared to the end of Q1 2014 (net funding at €5.9 bn[5] versus €8 bn), with zero ELA utilization, while as a percentage of total assets it decreased to 7%, in line with the Group's medium term target to restore it at market normal levels.

Loan Portfolio Quality

The Group's loans in arrears over 90 days (NPLs) ratio increased but at a decelerated pace and reached 38.5% of gross loans at the end of June 2014, as a result of the prolonged, though significantly decelerating, economic recession and the deleveraging of the loan portfolio.

It is worth mentioning, the noticeable downward trend in the NPL formation that continued in Q2 2014 compared to the previous quarters. More specifically, the percentage of NPL formation declined to 0.7% in Q2 2014 from 1.0% in the previous quarter, and 1.8% the respective quarter of 2013, a trend that is expected to continue during the next quarters as the economy further recovers and the problematic loan portfolio is actively managed through the recently established Recovery Banking & Task Force Units.

The loans in arrears over 90 days coverage by cumulative provisions ratio for the Group remained at 51% (both in Greece and abroad). If tangible collateral is also considered, then total coverage reached 123%. The cumulative provisions to gross loans ratio at the end of June 2014 reached the particularly high level of 20% (23% for business loans, 4% for mortgages, 37% for consumer/credit cards), whereas the respective ratio for the total Greek market stands at 16% on average.

Capital Adequacy

In mid-April 2014, Piraeus Bank successfully concluded its share capital increase from the private sector, thus achieving not only to cover the capital needs as they were identified by the Bank of Greece in early March both in the base scenario

[5] Excluding €4 bn EFSF bonds pledged to ECB

(binding) and the adverse scenario (€425 mn and €757 mn respectively), but also the redemption of preference shares and to further strengthen its capital position. Furthermore, the private sector participation in the Bank's share capital increased to 33% from 19% previously (the participation of HFSF was reduced from 81% to 67%).

The Group's total equity at end-June 2014 amounted to €9.4 bn, after the recent share capital increase of €1.75 bn in April 2014 and the repayment of €0.75 bn preference shares of the Hellenic Republic in May 2014. The Group's total capital adequacy ratio, according to the regulatory framework of Basel III, which has entered into force since 01.01.2014, stood at the end of June 2014 at 15.1% and the Common Equity Tier 1 ratio at 15.0%, which is quite high according to European standards. The Common Equity Tier 1 based on the fully loaded Basel III rules stood at 10.8% which is also considered at very satisfactory level compared to Europe.

Evolution of results

The Group's H1 2014 net revenues amounted to €1,334 mn, while net interest income (NII) which comprises 73% of net revenues, reached €979 mn. In Q2 2014 NII increased 4% on a quarterly basis and amounted to €500 mn, mainly attributed to the further de-escalation of the average monthly cost of time deposits that dropped to 262 bps in June 2014 compared to 288 bps in March 2014 and 458 bps in December 2012. Furthermore, in Greece the interest rates of new time deposits dropped even lower to 227 bps, decreased 44 bps compared to December 2013 and 213 bps versus December 2012. NII stemming from the domestic operations amounted to €820 mn in H1 2014, and €159 mn from the Group's international operations.

Net fees & commission income amounted to €160 mn in H1 2014, with Q2 2014 stabilized compared to Q1 2014 at €80 mn. Commissions stemming from commercial activities comprised 88% of total and 6% from investment banking and asset management respectively. Net fees & commission income in Greece was €134 mn in H1 2014, while the respective amount for international operations was €26 mn.

The Group's operating expenses amounted to €726 mn in H1 2014, of which 50% were related to staff expenses (€365 mn), 38% to administrative expenses (€272 mn) and 12% to depreciation and other expenses (€89 mn). Operating costs in H1 2014 were burdened by €60 mn one-off integration costs for the operations that were acquired during the period July 2012-June 2013 but also for other Group operations. Excluding these one-off costs, the Group's operating costs for H1 2014 amounted to €666 mn. The Cost to Income ratio on a like-for-like basis improved in Q2 2014 to 54% versus 56% in Q1 2014. It should be noted, that within the context of rationalizing the Group's branch network in Greece and achieving cost synergies, 148 branches have ceased operations during H1 2014 and 465 from the beginning of 2013, with the domestic network comprising of 889 units at the end of June 2014. Moreover, the Bank has already achieved the branch footprint target that was set initially, thus a new target is reset at 800 branches by the end of the year.

The Group's recurring profit before tax and provisions amounted to €295 mn in Q2 2014, increased 17% compared to €252 mn in Q1 2014.

Impairment loan losses reached €956 mn in H1 2014, with those in Q2 2014 amounting to €476 mn, marking a 1% decline compared to Q1 2014 (2.6% as a percentage of loans). This amount is broken-down to €831 mn in Greece and €125 mn abroad. Moreover, additional impairments of €92 mn for other receivables were recognized in H1 2014.

The Group net results from continuing operations attributable to shareholders amounted to a loss of €82 mn in H1 2014. On a quarterly basis Q2 2014 result amounted to a profit of €164 mn significantly improved compared to -€247 mn in Q1 2014.

Recent Developments

On July 23, 2014, the European Commission announced the approval of the Restructuring Plan of Piraeus Bank, as submitted to the European Commission (DG Competition) through the Ministry of Finance on 19 June 2014. The European Commission noted that Piraeus Bank's Restructuring Plan is in line with EU State Aid rules.

On August 14, 2014, Piraeus Bank announced the sale of 100% of ATE Insurance to ERGO Insurance Group, a subsidiary of Munich Re. The total consideration amounts to €90 mn in cash, subject to customary net asset value adjustments upon closing. The transaction is subject to regulatory approvals and envisaged to be completed by the end of 2014.

Athens, 29 August 2014

BRIEF PROFILE

Piraeus Bank was founded in 1916 and was listed on 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, Piraeus Group has become one of the most dynamic and active organizations in the Greek economy. At the end of June 2014, the Group possessed a network of 1,277 branches (889 in Greece and 388 abroad) and employed 22,343 people (16,541 in Greece and 5,802 abroad) and 6.5 mn customers in 10 countries.

During 2012 and 2013 Piraeus Bank Group proceeded with a series of business transactions (absorption of the "good" part of ATEbank, acquisition of Geniki Bank, acquisition of banking operations of 3 Cypriot banks in Greece, acquisition of Millennium Bank Greece), thus further strengthening its market position in order to actively contribute to the restructuring of the Greek economy.

Piraeus Bank Group, combines business operations with social responsibility, endorses systematically its relations with its social partners through specific actions, while emphasis is also placed on the protection of the natural and cultural environment. As one of the systemic banks in Greece, Piraeus Bank takes initiatives in order to support healthy business plans, and the transition of the Greek economy into a new era of modern and sustainable growth.