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Asset Quality Review and Stress Test

Comprehensive Assessment Results

26 October 2014

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01

Highlights

01 1.1 Key Takeaways

- Piraeus **is above the Comprehensive Assessment ('CA') thresholds post AQR**, in the **dynamic scenario,** as well as in the **static scenario** combined with the recent net capital increase (€1.75bn capital net of repayment of €0.75bn Greek State preference shares).

- The above results are based on a set of **conservative assumptions**:
  - Cumulative 3-year pre provision income ('PPI') in the static adverse case (€1,054 mn) is assumed to be below annualized recurring H1 2014 PPI (€1,094 mn)
  - Prudent definition of non performing exposures ('NPE'), representing 50% of the total loan exposure, combined with conservative haircuts to collateral values
  - Significant additional flow of NPLs assumed over the period 2014-16 (12% in the baseline case and 17% in the adverse)
  - Dynamic adverse balance sheet assumes significant RWA growth; c.€8.0 bn higher than in static adverse balance sheet, leading to RWAs over assets of 76% in 2016YE vs. 65% at YE2013

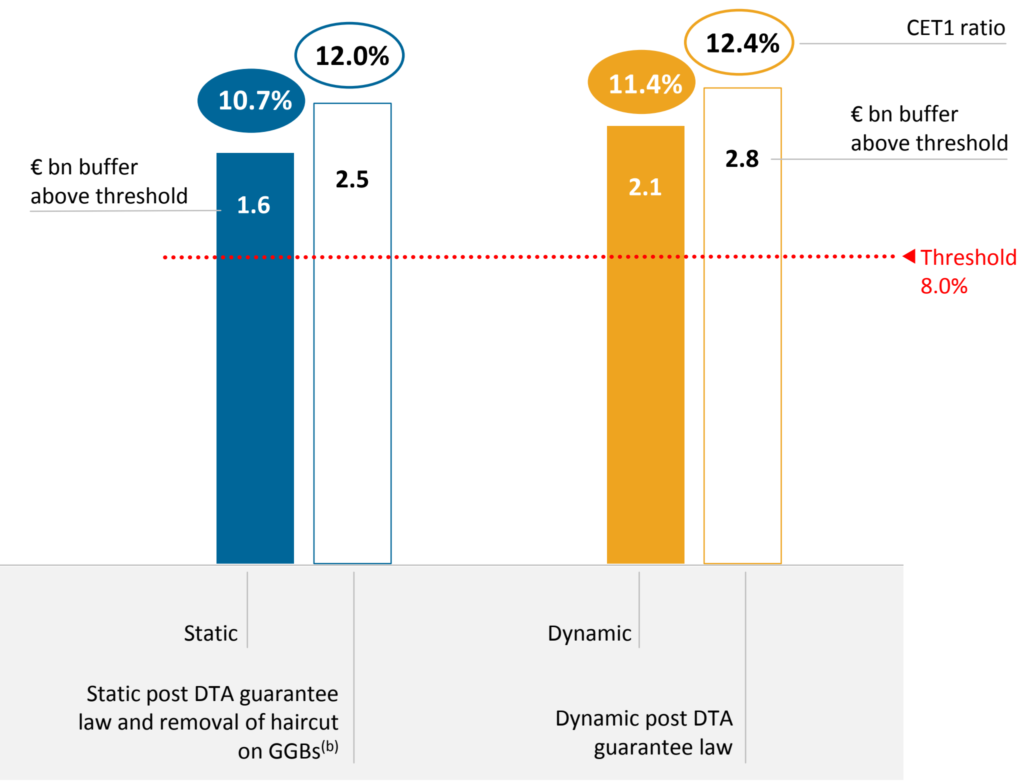
- Projected Loan Loss Reserves ('LLRs') in 2016YE reach **24%** of gross loans in baseline static and **26%** in adverse static, in line with or lower than the BlackRock II diagnostic exercise lifetime CLPs

- Capital buffers to be **strengthened** further following the **adoption of the DTA guarantee law**:
  - **Fully loaded CET1** ratio of **11.1%** (2013YE, pro-forma for AQR and DTA guarantee law, post the recent capital increase)

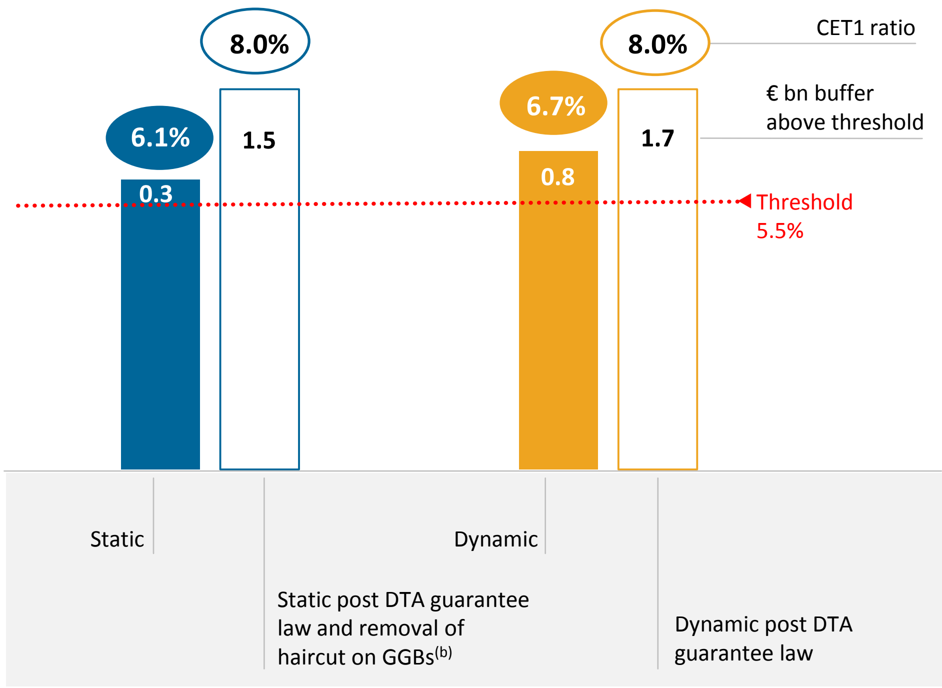
- **Leverage ratio** at **7.3%** among the best in Europe (2013YE, pro-forma for AQR, post the recent capital increase)

1.2 Summary Results: CET1 ratios

Baseline scenario



Adverse scenario



(a) All static scenario ratios are pro-forma for April 2014 €1.75 bn capital increase net of €0.75 bn Greek State preference shares repayment in May 2014

(b) Removal of pre-tax impairment of €126 mn in baseline static and €210 mn in adverse static on GGBs, which were redeemed in 2014 (Pillar I bonds). The dynamic scenario already incorporate s the GGB redemption

Note: Capital ratios and buffers post DTA guarantee law have been estimated by Piraeus Bank

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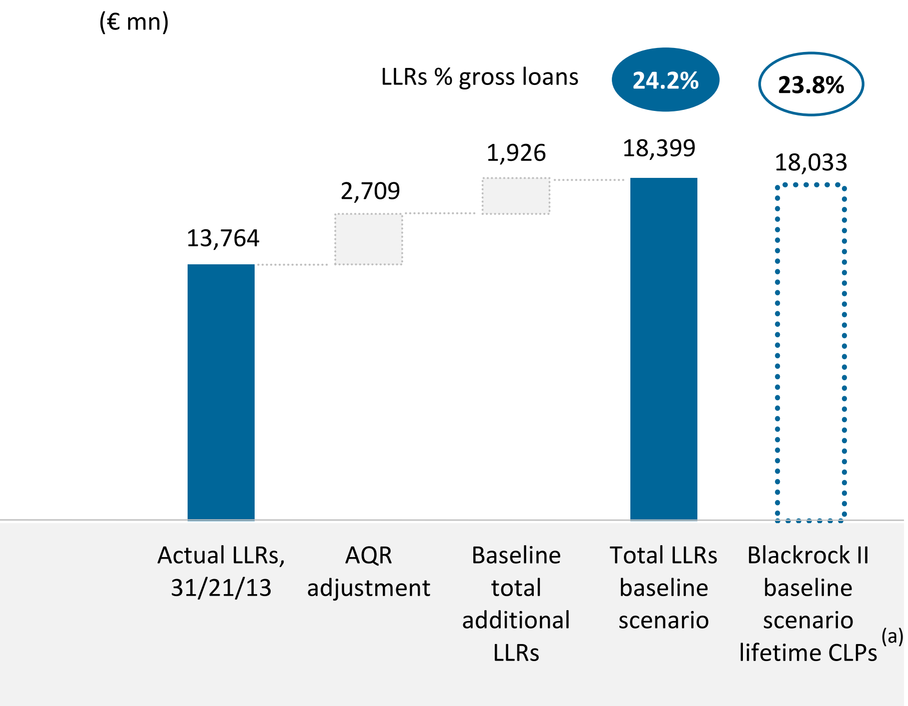
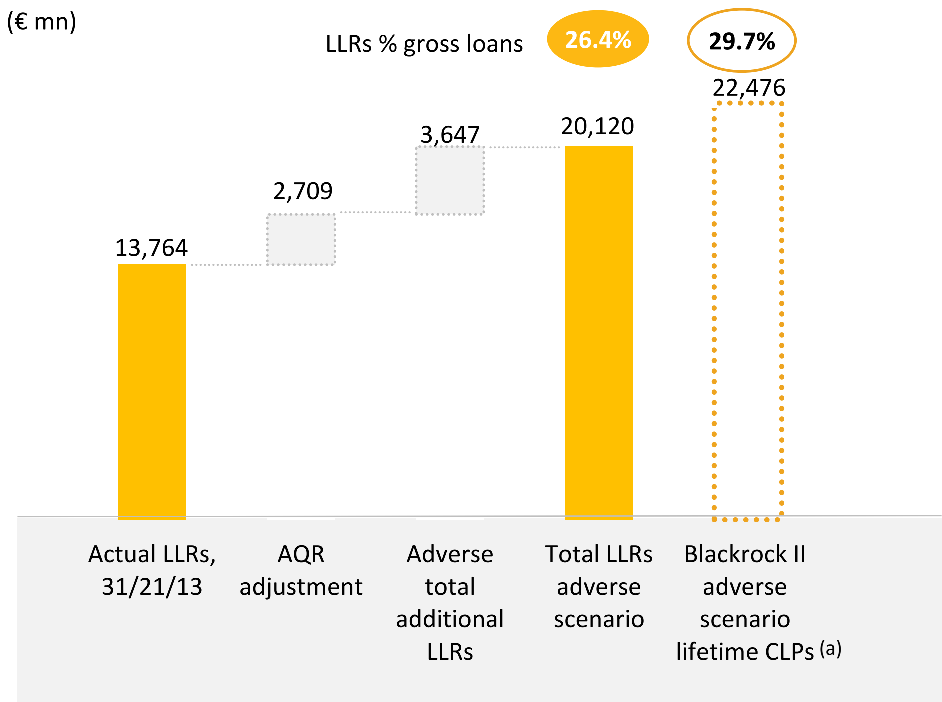
1.3 Comprehensive Assessment Underlines Credit Loss Estimates in Line with BlackRock II Diagnostic Lifetime CLP

Baseline scenario - static



*In **dynamic baseline** scenario LLRs at 2016YE stand at €18.1 bn (23.7% LLR ratio)*

Adverse scenario - static



*In **dynamic adverse** scenario LLRs at 2016YE stand at €19.8 bn (26.0% LLR ratio)*

Note: Final provision stock at 2016YE; calculations based on YE2013 loans, BlackRock II (June 2013)
(a) Lifetime losses in Greece and 3.5 years losses in foreign operations

02 AQR Results

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02 2.1 AQR Methodology

A very thorough process…

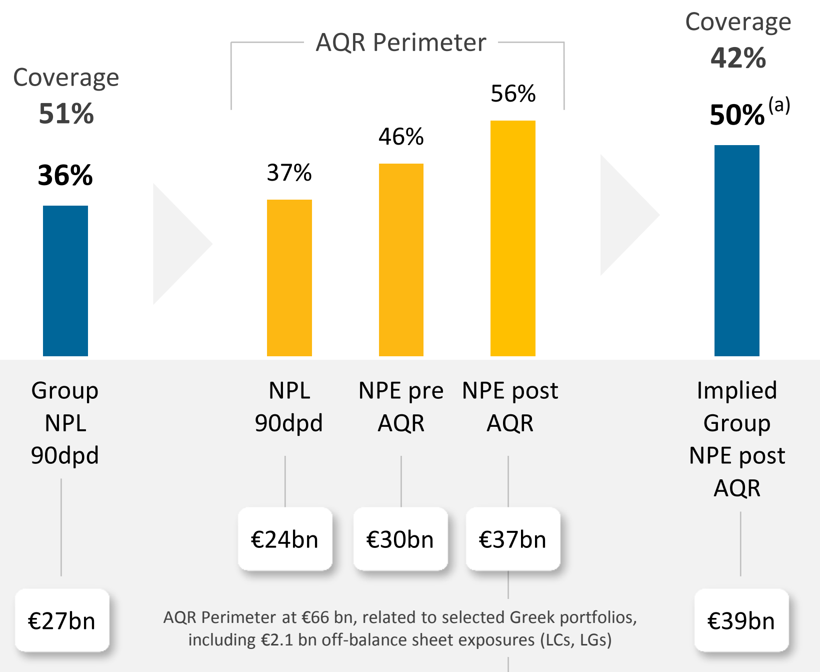
- Selected portfolio for credit file review covered approx. **29%** of AQR loan perimeter
- AQR perimeter covers **84%** of total loan exposure
- Bottom-up approach applied
- Performed over a period of 4 months

…coupled with a prudent approach

- Prudent definition of NPE exposure, with 50% of total loan exposure classified as NPE
- Conservative classification of "gone concern" businesses:
  - *all entities with debt / 2013 EBITDA above 6x considered gone concern*
- Conservative provisioning taking into account either cash flows or collateral
  - ***Only cash flows** considered for "going concern" customers*
  - ***Only collateral** considered for "gone concern" customers, with significant haircuts*
  - *Conservative haircuts applied to valuation of collateral primarily impacting the real estate and corporate exposures*
- Performing corporate exposures and the entire retail exposure were tested under ECB's collective provisioning models

2.2 AQR Non Performing Exposures

NPL and NPE as % of total loans and total exposure, 31 December 2013



Comprehensive Assessment's adjustment to NPE exposure arising from a very conservative approach of modified loans

€33 bn NPE pre AQR as submitted by Piraeus
€39 bn NPE post AQR post CA reclassifications

(a) €39.4 bn NPEs divided by €76.1 gross loans plus €2.1 bn off-balance sheet items

Group NPL to NPE reconciliation, 2013YE

€ bn	Group Loan balances	Implied NPE Perimeter		Pre AQR NPE (Group level)	Post AQR CA Reclass	Total Implied Group NPE
		NPLs	Other NPEs			
Loans with no arrears	**30.6**					
1-89 dpd	12.1		A **+1.3**	1.3	C **+6.7**	**8.0**
+90dpd	8.1	8.1		8.1		**8.1**
Loans with arrears	**20.3**					
1-89 dpd	4.4		B **+4.3**	4.3		**4.3**
+90dpd	19.0	19.0		19.0		**19.0**
Impaired	**23.4**					
Total loans	**76.1**	**27.2**	**+5.6**	**32.8**	**+6.7**	**39.4**

- A Contamination of non-impaired borrowers due to recognition of associated borrowers as NPEs
- B Impaired loans below 90 days classified as NPEs
- C All loans twice modified over the past 3 years and with even 1 day of delinquency in the last 12 months

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2.3 AQR Provisions

(€ mn)	Group Credit Risk RWA YE2013	NPE provision coverage ratio pre-AQR	AQR adjustment to provisions			Total adjustments to provisions (gross of tax)	Impact on CET1 ratio (gross of tax 31 Dec'13)
			Sampled Files	Projection of findings	Collective review		
Sovereigns and Supranational	641	–	–	–	–	**–**	–
Institutions	766	–	–	–	–	**–**	–
Retail / SBL	17,733	37.1%	–	–	541	**541**	(0.9%)
Corporates / Large SME	30,225	39.7%	957	979	231	**2,168**	(3.6%)
Other Assets	6,912	-	–	–	–	**–**	–
Total	**56,277**	**38.9%**	**957**	**979**	**772**	**2,709**	**(4.5%)[(a)]**

Driven by classification as "gone concern" of Greek corporates with debt / EBITDA > 6x

New provisions mainly on mortgages, driven by a very conservative approach in reclassification (loans with terms modified twice over the past 3 years and with even 1 day of arrears in 2013)

Coverage ratio for reclassified corporate NPEs increases to 14% vs. 18% needed for SSM banks

Note: AQR impact includes additional €83 mn provision related to CVA and Level 3 exposures which are not shown on the table

(a) Gross of tax

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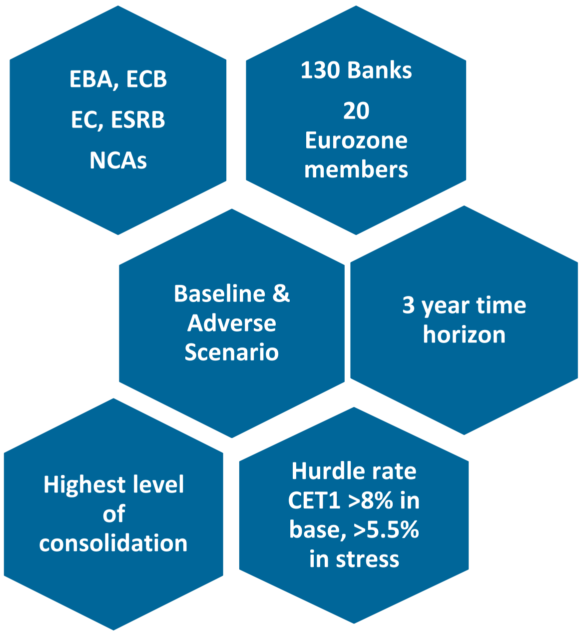
03

The Stress Test

3.1 EU-wide Stress Test Methodology



EU-wide Stress Test

The EU-wide stress test was carried out to assess the resilience of financial institutions to stress market developments and the potential for systemic risk to increase. It involved close cooperation between ECB for Single Supervisory Mechanism countries, EBA and the National Competent Authorities (NCAs)

Basic Assumptions:

- 2013 year-end anchor point post any AQR adjustments
- 2014-2016 projected figures in baseline and adverse scenarios
- CRD IV definition of capital ratios with transitional arrangements
- Common application of prudential filters

Static Balance Sheet:

- Zero growth assumption and same business mix
- Maturing assets and liabilities replaced with similar financial instruments in terms of type, credit quality and original maturity
- No workout/write-offs of defaulted assets - default status is absorbing (no cure/exit from default)
- No portfolio/capital management actions

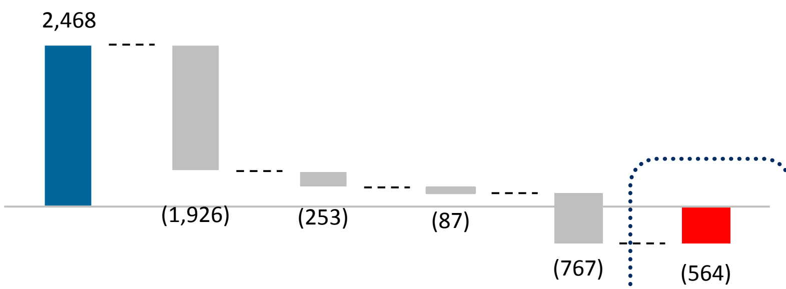
Dynamic Balance Sheet:

- The balance sheet evolution follows the dynamics of the Restructuring Plan under a Baseline and Adverse scenario, stressed according to EBA methodology
- In line with restructuring plan submitted to the European authorities

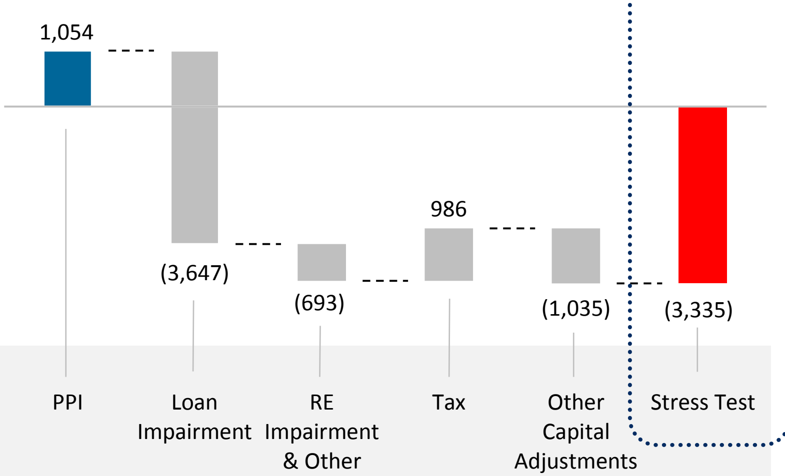
3.2 Overview of the Stress Test Exercise

Static

Baseline scenario - Capital Impact (€ mn)

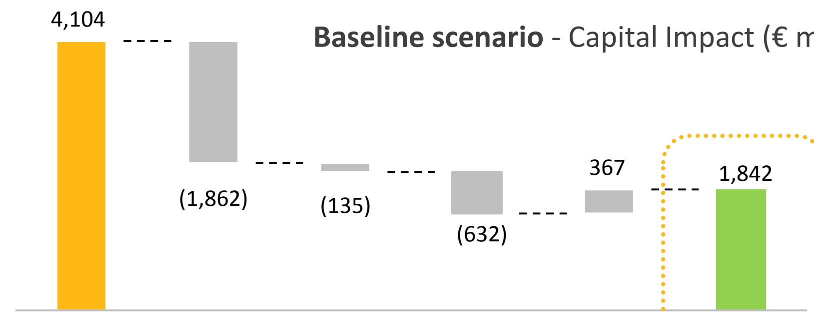


Adverse scenario - Capital Impact (€ mn)

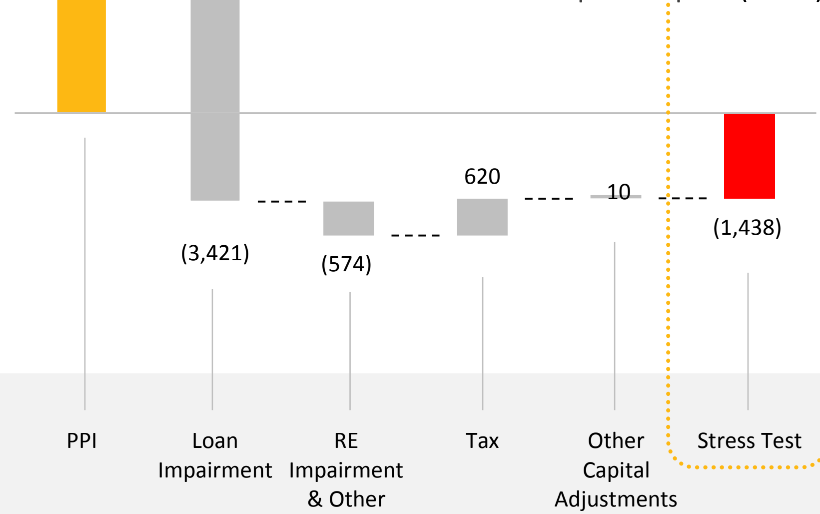


Dynamic

Baseline scenario - Capital Impact (€ mn)



Adverse scenario - Capital Impact (€ mn)



Note: Dynamic scenario data based on Piraeus' submission

Other capital adjustments refer mainly to DTA phasing in 2015-2016 (static baseline: -€694 mn, static adverse: -€906mn, while for dynamic they also include 2014 capital increase

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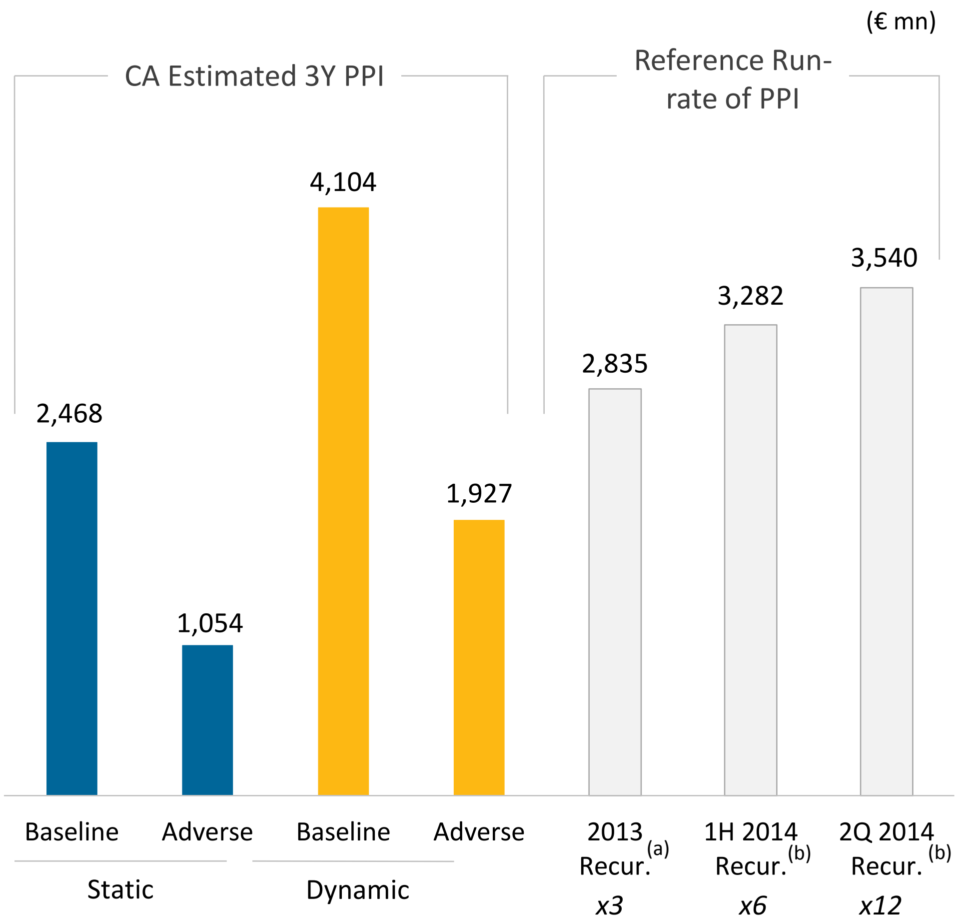
03 3.3 PPI Conservatively Estimated

CA's PPI vs. Run rates



Note: Dynamic scenario data based on Piraeus 'submission

(a) Excludes one-off items such as VES costs, integration costs etc.

(b) Excludes one-off items such as VES costs, integration costs, non core gains etc.

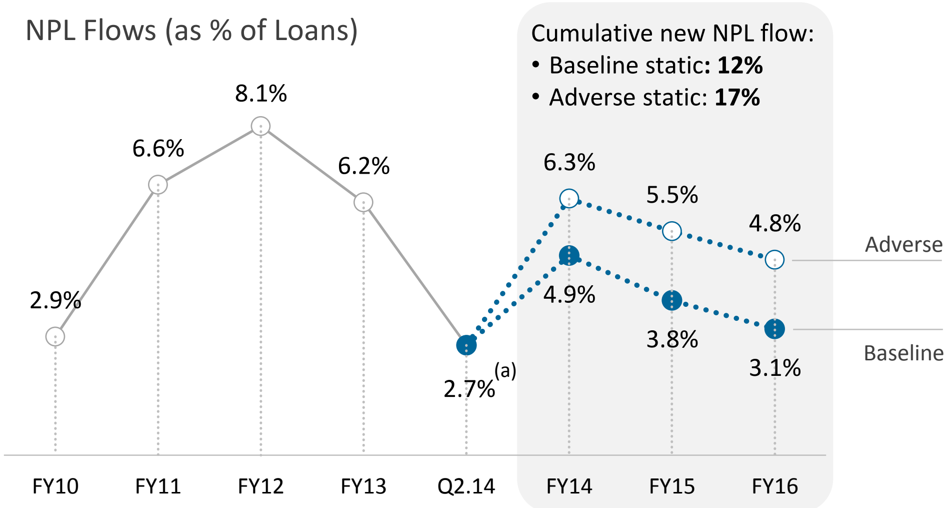
- Conservative assumptions adopted on capital generation capacity
- Comprehensive Assessment estimates imply substantial haircut to recently reported normalised PPI:
  - Methodology capped NII and NFCI as well as OpEx to 2013 level (adjusted for one-offs)
  - Adverse scenario was respectively impacted by further NII hit (increased funding cost, immaterial asset repricing, no income from defaulted loans) and floored OpEx in line with base case. Adverse static 3Y PPI is only 26% of adverse dynamic 3Y PPI
  - Extrapolation of Q2 2014 normalized PPI would imply c. €1.1 bn additional capital (pre-tax) versus baseline scenario in static approach

3.4 Prudent Loan and Other Assets Impairment

Prudent loan impairment (static approach)

- Based on flow of new defaults akin to renewed stress over the forecast period (post AQR)
  - Additional 12% 3Y NPL flow under the base case cumulatively
  - Additional 17% 3Y NPL flow under the adverse case cumulatively
- Total loan impairment of €2.0 bn in baseline and €3.6 bn in adverse after taking into AQR impact at the starting point

NPL Flows (as % of Loans)



(a) annualized

Real estate & other impairments (static approach)

- Real Estate impairment post AQR at €0.2 bn in baseline and €0.6 bn adverse in 3Y 2014-2016
  - Real estate is marked down conservatively, implying continuing asset deflation in 2014-2016

	Baseline	Adverse
Real estate property	4%	14%
Investment property	13%	38%

  - Total exposure of c.€2.2 bn, out of which €0.8 bn of own-use and €1.4 bn of investment property and repossessed assets
- Impairment of GGBs (€126 mn baseline static, €210 mn adverse static pre-tax) that were redeemed in May 2014 (Pillar I bonds)

3.5 Static: CET1 Above Minimum Requirement post SCI

Static capital position

CET1:	**Baseline**		**Adverse**	
Static balance sheet	**%**	**€ mn**	**%**	**€ mn**
CET1	**13.7%**	**8,171**	**13.7%**	**8,171**
AQR	(3.7%)	(2,212)	(3.7%)	(2,212)
AQR Adj. CET1	**10.0%**	**5,959**	**10.0%**	**5,959**
RWA		59,716		59,716
Stress test	(1.0%)	(564)	(5.6%)	(3,335)
Adj. CET1 for AQR and stress test	**9.0%**	**5,395**	**4.4%**	**2,624**
Capital raise net of prefs repayment	+1.7%	1,000	+1.7%	1,000
Comprehensive Assessment	**10.7%**	**6,395**	**6.1%**	**3,624**
DTA guarantee law impact	+1.1%	839	+1.6%	1,051
Reversal of GGB impairment (post tax)	+0.2%	113	+0.3%	188
Comprehensive Assessment, post DTA guarantee law impact	**12.0%**	**7,347**	**8.0%**	**4,864**

PPI estimated to be significantly lower than the run-rate:
- Baseline: **30% lower** than annualized 2Q 2014
- Adverse: **70% lower** than annualized 2Q 2014
- 3Y adverse static PPI is only 26% of 3Y adverse dynamic PPI

Includes impairment of GGBs that were redeemed in 2014 (Pillar I)

Baseline: 10.7% vs. 8.0% threshold, i.e. **€1.6 bn capital buffer**
Adverse: 6.1% vs. 5.5% threshold, i.e. **€0.3 bn capital buffer**

Baseline: 12.0% vs. 8.0% threshold, i.e. **€2.5 bn capital buffer**
Adverse: 8.0% vs. 5.5% threshold, i.e. **€1.5 bn capital buffer**

Notes: DTA guarantee law impact reflects Piraeus' estimate
Removal of pre-tax impairment of €126 mn in baseline static and €210 mn in adverse static on GGBs, which were redeemed in 2014 (Pillar I bonds)

3.6 Dynamic: CET1 Markedly Above Minimum Requirement

Dynamic capital position

CET1: **Dynamic balance sheet**	**Baseline** **%**	 **€ mn**	**Adverse** **%**	 **€ mn**
CET1	**13.7%**	**8,171**	**13.7%**	**8,171**
AQR	(3.7%)	(2,212)	(3.7%)	(2,212)
AQR Adj. CET1	**10.0%**	**5,959**	**10.0%**	**5,959**
RWA		62,177		67,662
Stress test[(a)]	**+1.4%**	**+1,130**	**(3.3%)**	**(1,438)**
Comprehensive Assessment	**11.4%**	**7,089**	**6.7%**	**4,521**
DTA guarantee law impact	+0.9%	728	+1.3%	938
Comprehensive Assessment, post DTA guarantee law impact	**12.4%**	**7,817**	**8.0%**	**5,459**

☑ PPI estimated to be significantly lower than the run-rate in the adverse scenario:
- Baseline: **16% higher** than annualized 2Q 2014
- Adverse: **46% lower** than annualized 2Q 2014

Adverse: 76% RWA / 2016 assets
(2013 actual RWA / assets at 65%, RWAs €59,716 mn)

Baseline: 11.4% vs. 8.0% threshold, i.e. **€2.1 bn capital buffer**
Adverse: 6.7% vs. 5.5% threshold, i.e. **€0.8 bn capital buffer**

Baseline: 12.4% vs. 8.0% threshold, i.e. **€2.8 bn capital buffer**
Adverse: 8.0% vs. 5.5% threshold, i.e. **€1.7 bn capital buffer**

Note: DTA guarantee law impact reflects Piraeus ‘estimate

(a) Includes the €1.75 mn capital increase, net of the repayment of €0.75 bn Greek State preference shares (May 2014) plus impact of RWA increase

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Communication

Anthimos Thomopoulos, CEO

George Poulopoulos, CFO

Costas Adamopoulos, Head, Business Planning, IR & Economic Analysis

George Marinopoulos, Director, Business Planning & IR

Chryssanthi Berbati, Head, Investor Relations

Vicky Diamantopoulou, Head, Business Planning

4 Amerikis St, 105 64 Athens

Tel. : (+30) 210 333 5026

investor_relations@piraeusbank.gr

Bloomberg: TPEIR GA <F8>

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www.piraeusbankgroup.com