Strengthening of the Balance Sheet – Targeting Profitability in 2015

Management Statements

“During the period that the Greek economy comes out of recession, Piraeus Bank has decided to further strengthen its balance sheet with increased provisions of €2.2 bn.

This action, coupled with the measures we have already initiated regarding the improvement of operating revenues and cost reduction, create reasonable expectations that Piraeus Bank will return to profitability as of 2015.

At the same time the Bank, accelerating the active management of its non-performing loans, is in the position to effectively support viable solutions for its customers and to support the recovery of the economy by providing new financing.

Should the country's efforts for effective administration and competitive economy continue, then I am confident that the Greek economy shall be definitely entering into a course of growth in 2015. The increased provisions that the Bank has now taken highlight the new phase that the Greek economy is entering post the recession period."

Michalis Sallas, BoD Chairman

“The Q3 2014 results confirm the continuous improvement of the Bank’s recurring income, while at the same time actions are being concluded aiming at the further reduction of operating costs through the new voluntary exit programme, as well as the completion of the absorption of Geniki Bank by Piraeus Bank.

The Group’s recurring pre-tax and provision profitability for Q3 2014 amounted to €279 mn, up 23% year on year, mainly attributable to a 12% increase in net interest income, a 18% rise in net commission income and a 7% decline in operating costs.

Total impairment charges amounted to €3.2 bn in 9 month 2014, incorporating the enhanced provisions of €2.2 bn in Q3 2014. Subsequently, the coverage of the non-performing loans significantly increased to 58% compared to 51% in the previous quarter. The increase in loan impairments reflects the change in management expectations with respect to the developments in the economic and institutional environment, such as the continuous decrease in real estate prices in Greece, the expected prolongation required for the liquidation of collaterals and the recent amendment in the legislative framework regarding troubled business loans management. However, the further decrease of NPLs formation in Q3 2014, that continued for a seventh consecutive quarter (26% on a quarterly basis at €369 mn), allows for the reasonable expectation that this rate will soon become negative, leading to a decline of the NPL ratio.

The Group’s total capital adequacy ratio remains sound at 13.6%."

Stavros Lekkakos, Managing Director & CEO

Group Performance Highlights

Q3.2014 Results

- **Increased loan impairment charges and safeguarding of Balance Sheet**: Increased loan provisions of €2,242 mn were taken in Q3.2014, strengthening the Bank's balance sheet. The total loan provisions reached €3,199 mn for the 9month 2014, thus increasing the loan loss reserves over gross loans ratio at 23%, which represents the highest ratio in Greek market.

- The **loans in arrears** over 90 days ratio reached 39.0%, while the formation of non-performing loans in Q3.2014 continued to decrease for another consecutive quarter at 51 bps as percentage of loans versus 68 bps in Q2.2014. The coverage ratio of loans in arrears > 90 days by cumulative provisions significantly increased to 58% from 51% in June 2014, as a result of the higher quarterly provisions.

- **Recurring pre-tax and provisions profitability** amounted to €279 mn in Q3.2014, 23% higher versus Q3.2013.

- **Net interest income** for the Group continued its upward trend on a quarterly basis and amounted to €509 mn, 12% higher yoy and 2% higher qoq. The **further de-escalation of time deposits cost** in Greece in September 2014 to 224 bps compared to 262 bps in June 2014, contributed in improving the net interest income.

- **Net fees & commissions income** amounted to €87 mn in Q3.2014, displaying a 18% increase compared to Q3.2013 and 8% versus Q2.2014.

- **Net operating revenues** amounted to €591 mn. Excluding one-off results, net revenues increased by 4% to €620 mn versus €596 mn in the respective quarter of 2013.

- **Operating expenses** were contained to €342 mn - excluding one-off integration costs related to the acquired banking operations that amounted to €17 mn - decreased 7% versus Q3.2013. The **cost to income ratio** on a recurring basis improved to 55% in Q3.2014, compared to 62% in Q3.2013.

- **Q3.2014 Net result** from continuing operations attributable to shareholders amounted to -€1,558 mn, mainly attributed to the increased provisions in Q3.

Volumes as of 30 September 2014

- Group **total assets** amounted to €86.4 bn, recording a 2% decline compared to June 2014 mainly due to the higher provisions.

- **Deposits** were €55.0 bn, increased 1% when compared to both the previous quarter and December 2013.

- **Gross loans before adjustments** continued their deleveraging course amounted to €72.7 bn. Net loans amounted to €56.3 bn.

- **Net loans to deposits ratio** was considerably improved in September 2014 down 6 pps to 102% compared to the respective ratio in June 2014. The net Eurosystem funding ratio (excluding EFSF bonds pledged as collateral to ECB) declined further to 5% of total assets.

- **The total equity** of the Group amounted to €7.8 bn. The Group's total capital adequacy ratio according to Basel III amounted to 13.6%, while its Common Equity Tier I ratio was 13.4%. Under the fully implemented Basell III regulatory framework, CET-1 was 12.7% pro-forma for the conversion of the deferred tax assets to deferred tax credit, according to the provisions of L.4303/2014.

- The Group's **branch network** at the end of September 2014 comprised of 1,252 units, of which 870 branches operated in Greece and 382 abroad. Today following the absorption of Geniki Bank there are 803 branches in Greece, which means that the target of Restructuring Plan (870 branches in 2017) has been achieved 3 years ahead of schedule.

- The **Group's headcount** at the end of September 2014 was 22,260 employees, 16,528 in Greece and 5,732 in international operations. It should be noted that staff in Greece has been reduced by 14% since December 2012 on a like-for-like basis. In the context of the Restructuring Plan, the Bank announced in mid-November 2014 the new VES programme addressed to employees in Greece, which will be completed at the beginning of December 2014.

- On November 20, 2014 the Hellenic Ministry of Development and Competitiveness approved the legal merger of Geniki Bank with Piraeus Bank, while the full integration of Geniki Bank into the IT systems of Piraeus Bank **was successfully concluded on November 23, 2014**. The aforementioned migration is the sixth consecutive integration being implemented in Greece (the previous five were completed during the second half of 2013), thus all banking operations in Greece are being supported by a single operating system, further strengthening the economies of scale.

Key Figures of Piraeus Bank Group

Consolidated Data (in € mn)	30.9.14	31.12.13	30.9.13	30.9.14 / 31.12.13	30.9.14 / 30.9.13
Selected Balance Sheet Figures					
Assets	86,419	92,010	92,719	-6%	-7%
Deposits	55,047	54,279	54,692	1%	1%
Gross Loans before Adjustments [1]	72,709	76,114	74,787	-4%	-3%
Cumulative Provisions [1]	(16,414)	(13,748)	(12,790)	19%	28%
Total Equity	7,769	8,543	9,222	-9%	-16%
Summary Results	**Q3.2014**	**Q2.2014**	**Q3.2013**	**Δ Q3.14 / Q2.14**	**Δ Q3.14 / Q3.13**
Net Interest Income	509	500	454	2%	12%
Net Fees & Commission Income	87	80	74	8%	18%
Net Trading Income & Gain less Losses from Investment Securities	(23)	49	27	-	-
Other Operating Income & Dividend Income	20	152	39	-87%	-49%
Net Revenues	**591**	**781**	**593**	**-24%**	**0%**
Personnel Expenses	(172)	(176)	(225)	-2%	-24%
Administrative Expenses	(153)	(150)	(151)	2%	1%
Depreciation & Other Expenses	(34)	(45)	(33)	-25%	4%
Total Operating Costs	**(359)**	**(371)**	**(409)**	-3%	-12%
- **o/w one-off integrations costs**	**(17)**	**(28)**	**(40)**		
Pre-Provision Income	**232**	**411**	**184**	-43%	26%
- **recurring PPI**	**279**	**295**	**227**	-6%	23%
Share of Profit of Associates	7	8	0	-12%	
Impairment on Loans	(2.242)	(476)	(489)	371%	358%
Impairment on Other Assets & Other Impairments	(15)	(58)	(30)	-74%.	-50%
Pre Tax Result	**(2.018)**	**(114)**	**(335)**		
Income Tax	460	279	57		
Share of Bank shareholders in result after tax	**(1.558)**	**164**	**(277)**		
Result After Tax from Discontinued Operations	2	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.*

.

Evolution of results

The Group's 9month 2014 net revenues amounted to €1,926 mn, while net interest income (NII), which accounts for 77% of net revenues, reached €1,488 mn. In Q3.2014 NII increased by 12% yoy and 2% qoq amounting to €509 mn. This increase mainly attributed to the further de-escalation of the average monthly cost of time deposits that dropped to 224 bps in September 2014 compared to 262 bps in June 2014. Furthermore, in Greece the interest rate of new time deposits dropped even lower to 200 bps, down 71 bps compared to December 2013. Net interest margin in Q3.2014 reached 279 bps compared to 270 bps in the previous quarter (as a percentage of assets excluding EFSF bonds). NII stemming from domestic operations amounted to €1,256 mn in 9month 2014, and €232 mn from the Group's international operations.

Net fees & commission income amounted to €247 mn in 9month 2014, with Q3.2014 income at €87 mn up 8% compared to Q2.2014 and 18% compared to Q3.2013. Net fees & commission income as a percentage of assets excluding EFSF bonds reached 48 bps in Q3.2014 compared to 43 bps in the previous quarter. Commissions from commercial activities comprised 88% of total. Net fees & commission income in Greece was €208 mn in 9month 2014, while the respective amount for international operations was €39 mn.

The Group's operating expenses amounted to €1,085 mn in 9month 2014, of which 50% were related to staff expenses (€537 mn), 39% to administrative expenses (€426 mn) and 11% to depreciation and other expenses (€122 mn). Operating costs in Q3.2014 were €359 mn, down 12% yoy (burdened by €17 mn and €40 mn one-off integration costs respectively, for the operations that were acquired during the period July 2012-June 2013 and for other Group operations).

The Cost to Income ratio on a like-for-like basis improved to 55% in Q3.2014 versus 62% in Q3.2013. It should be noted, that within the context of rationalizing the Group's branch network in Greece and achieving cost synergies, 167 branches have ceased operations during 9month 2014 and 484 from the beginning of 2013, with the domestic network comprising of 870 units at the end of September 2014. Following the absorption of Geniki Bank by Piraeus Bank on November 23, 2014 the Bank's domestic branch network totaled 803 branches. Moreover, not only has the Bank already achieved the 870 branch footprint target initially set, but the new target at c.800 branches by the end of the current year has already been achieved.

The Group's recurring profit before tax and provisions amounted to €279 mn in Q3.2014, increased 23% compared to €227 mn in Q3.2013, excluding the one-off integration costs related to the acquired banking operations (€17 mn and €40 mn in Q3.2014 and Q3.2013 respectively) and the one-off results (-€29 mn and -€2 mn respectively).

- During Q3.2014, the Bank's Management changed some of its estimates regarding the determination of the future cash flows of the Group's loan portfolio. The revised estimates are based on new information and changes in the legal framework. The main parameters that influenced these estimates are the following:
  1) the continued decline in real estate prices in the Greek market, combined with the extension of the time needed for liquidating collaterals,
  2) the recent amendment in the legislative framework regarding the management of troubled business loans,
  3) the implementation of the aforementioned parameters in managing troubled loans, monitored by the recently established Recovery Banking Unit (RBU), which became fully operational during Q3.2014. Before that, several necessary steps were taken during the preceding quarters with the support of a specialized consultant, including *inter alia:* set-up of the appropriate infrastructure, new organizational structure, credit approval process, development of products and appropriate tools that measure the effectiveness of the new proposals to customers, aiming at viable and sustainable solutions, and intensive training of approx. 2,000 employees transferred to RBU from other units.

Following the change in management estimates with regard to the level of impairment losses on Group loan portfolio, increased loan impairments of €2,224 mn were booked in Q3.2014, bringing the total relevant amount to €3,199 mn in 9m 2014. The quarterly amount is broken-down to €1,998 mn in Greece and €244 mn abroad. Moreover, additional impairments of €107 mn for other receivables were recognized in 9month 2014 (€15 mn in Q3.2014).

The Group net results from continuing operations attributable to shareholders amounted to a loss of €1,640 mn in 9month 2014. On a quarterly basis, Q3.2014 net result amounted to a loss of €1,558.

Volume Evolution

The Group's total **deposits** amounted to €55 bn at the end-September 2014, marking an increase 1% both on a quarterly and a year-to-date basis. Similarly, Group deposits in Greece increased 1% since the beginning of the year, which is in line with the market. It is noted that in September the Bank has a deposit market share of 28% which is stable since December 2013. Deposits of the Group's international operations rose 4% qoq and 14% yoy (mainly stemming from Cypriot and Bulgarian operations for both periods) and stood at €5.1 bn representing 9% of Group's total deposits.

Group Volume Analysis	Amounts (€ mn)	Composition (%)
Gross loans before adjustments		
Loans to businesses	47,547	65%
Loans to individuals	25,162	35%
Total loans	**72,709**	**100%**
• Greece	65,743	90%
• International	6,966	10%
Deposits		
Sight-Savings	21,546	39%
Term	33,501	61%
Total deposits	**55,047**	**100%**
• Greece	49,903	91%
• International	5,145	9%

Gross loans before adjustments at the end of September 2014 amounted to €72.7 bn versus €73.1 bn in June 2014 (-0.5%) displaying a decelerating deleverage. This deleveraging trend is expected to reverse by 2015, with the gradual recovery of the Greek economy. Business loans decreased -0.4% and loans to individuals -0.6% on a quarterly basis. Loans in Greece amounted to €65.7 bn and loans in international operations at €7.0 bn (10% of total loans). Business loans represented 65% of total Group loans, whereas retail loans 35% (24% mortgages and 10% consumer loans). Based on September 2014 data, Piraeus Bank's loan market share in Greece was stable at 30% compared to December 2013.

Liquidity ratios improved significantly in Q3.2014. More specifically, the Group's **loans to deposits ratio** improved significantly in Q3.2014 and reached 102% at the end of September 2014 (102% in Greece, 108% abroad), versus 108% in June 2014. On September 30, 2014 Piraeus Bank's Eurosystem funding was further reduced compared to the end of Q2.2014 (net funding at €4.6 bn[2] versus €5.9 bn), while it decreased to 5% as a percentage of total assets, converging to "normalized" market levels.

Loan Portfolio Quality

The Group's **loans in arrears over 90 days (NPLs) ratio** increased at a decelerated pace and reached 39.0% of gross loans at the end of September 2014 compared to 38.5% in June 2014, as a result of the prolonged 6 year recession and the deleveraging of the loan portfolio.

It is worth mentioning, the downward trend in the NPLs formation for yet another quarter, which amounted to €369 mn versus €500 mn in Q2 2014. More specifically, the NPL formation as a percentage of gross loans declined to 0.5% in Q3. 2014 from 0.7% in the previous quarter, and 1.7% in the respective quarter last year. This trend is expected to continue in the coming quarters, as a result of the economic recovery (1.4% GDP growth in Q3.2014 and 0.4% in Q2.2014) and the active management of the problematic loan portfolio by the recently established Recovery Banking Unit.

The coverage of loans in arrears over 90 days by cumulative provisions, following the increased provisions of Q3.2014, improved significantly to 58% compared to 51% in June (58% in Greece and abroad). Including tangible collateral total coverage reached 129%. The cumulative provisions to gross loans ratio reached the particularly high level of 22.6% at the end of September 2014 versus 19.6% in June 2014 (26.3% for business loans, 6.3% for mortgages, 37.5% for consumer/credit cards), whereas the respective ratio for the total Greek market stands at 16.5% on average in September 2014.

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

Capital Adequacy

Piraeus Bank successfully participated in the Comprehensive Assessment that was conducted by the European Central Bank (ECB) in cooperation with the European Banking Authority (EBA) and the Bank of Greece. The exercise was conducted by reference to a balance sheet as of 31 December 2013 ("Static Balance Sheet"), and Piraeus' restructuring plan ("Dynamic Balance Sheet"). Both balance sheets were stressed under a "baseline" and "adverse" scenario.

In the Dynamic Balance Sheet approach, Piraeus Bank posted a Common Equity Tier 1 capital ratio of 11.4% under the "baseline" scenario and 6.7% under the "adverse" scenario, against minimum requirements of 8.0% and 5.5% respectively.

The Static Balance Sheet approach, combined with the impact of the €1.0 bn net capital increase that took place in April 2014 following the repayment of preference Shares of the Greek State leads to a CET1 ratio of 10.7% and 6.1% in the "baseline" and "adverse" scenarios respectively.

Taking into account the adoption of law 4303/2014 regarding the conversion of deferred tax assets to deferred tax credit, the CET1 ratio under the Static Balance Sheet approach increases to 12.0% in the "baseline" scenario and to 8.0% in the "adverse" scenario, while in the Dynamic Balance Sheet Approach CET1 ratio stands at 12.4% in the "baseline" scenario and to 8.0% in the "adverse" scenario, thus further improving the Bank's capital buffers against the minimum requisite thresholds of 8.0% and 5.5% for the "baseline" and the "adverse" scenarios, respectively. The Bank has already decided to convene an Extraordinary General Meeting, which will take place in mid-December with single item on the agenda being the inclusion in the relevant law.

The Group's total equity amounted to €7.8 bn at end-September 2014, affected by the increased provisions in Q3.2014. The Group's total capital adequacy ratio, according to the regulatory framework of Basel III, stood at the end of September 2014 at 13.6% and the Common Equity Tier 1 ratio at 13.4% (pro-forma includes €200 mn off balance sheet DTAs from Geniki Bank, to be booked in Q4.2014), which is deemed satisfactory according to European standards. The Common Equity Tier 1 ratio, based on the fully loaded Basel III rules, stood at 12.7% pro-forma for the inclusion in the law 4303/2014 and the €200 mn DTAs from Geniki Bank .

The 9month 2014 financial statements of Piraeus Group will be posted on the Group's web site on Tuesday, November 25th 2014 (www.piraeusbankgroup.com).

Athens, 25 November 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 September 2014, the Group possessed a network of 1,252 branches (870 in Greece and 382 abroad) and employed 22,260 people (16,528 in Greece and 5,732 abroad) and 6.2 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 attaining a leading 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 undertakes initiatives in order to support healthy business plans, and the transition of the Greek economy into a new era of modern and sustainable growth.