

PIRAEUS BANK



H1 2013 Results – Management Statements

“With the conclusion of the recapitalization and the restructuring, the Greek banking system is turning page. The restoration of the capital base of the 4 systemic banks (in conjunction with the HFSF existing capital buffer), provides us sufficient comfort that they will cope with the effort to secure funds for the financing of the Greek economy at competitive terms.

Piraeus Bank, after its successful share capital increase and the strong confidence of private investors that covered 20% of the capital raise, is focusing its efforts on the completion until the year’s end of the integration of the recent acquisitions, on the implementation of the synergies realization program and on the even more effective management of its “problem” loan portfolio, introducing new solutions aiming at the safeguarding of its capital base and the support of the viability of Greek businesses and the relief of households”.

Michalis Sallas , BoD Chairman

“Piraeus Bank acquired at the end of June 2013 Millennium Bank Greece, completing the acquisition phase that begun a year ago with ATEbank, and has now market share of 30% in the Greek banking market. The Bank is moving fast towards systems and operations integration of the acquired banking businesses, so that cost, funding and revenue synergies are realized earlier. Already, the integration of ATEbank and of the Greek operations of the Hellenic Bank has been completed with absolute success. The next goal is the integration of the Greek operations of Bank of Cyprus and of CPB within the 4th quarter of the current year, as well as of Millennium Bank Greece by the end of 1st quarter of 2014.

With respect to the financial structure of Piraeus Bank Group on June 30 2013, it is noted that the Group has strong capital adequacy with Core Tier I ratio at 14%, in parallel with maintaining very high loan loss reserves, with the cumulative provisions to gross loans ratio at 16%. At the same time, Piraeus Group enjoys a strengthened liquidity profile, with net Eurosystem funding over assets at 12% and loans to deposits ratio at 116%.

Recurring Group pre-tax and provisions profit for H1 2013 amounted to €0.3 bn. The result was burdened by one-off integration costs for acquisitions, for which the goal is to be realized the sooner possible, so that the Group benefits later on from the cost and revenue synergies that have been budgeted. Impairment losses on loans and advances remained at a high level (€1.1 bn for H1 2013), although new NPL formation appears to have stabilized for a second consecutive quarter. The net result attributable to Bank shareholders in H1 2013 amounted to €3.5 bn, including the negative goodwill from acquisitions of €3.8 bn.

Stavros Lekkakos, Managing Director & CEO

On 26.03.13 Piraeus Bank acquired selective assets and liabilities of the Greek banking operations of Bank of Cyprus, of Cyprus Popular Bank and of Hellenic Bank, including loans and deposits of their subsidiaries in Greece. As a result, the relevant balance sheet figures as of 30.06.13 are included in the Press Release, while in the P&L data are included for the period from 16.03.13 to 30.06.13. On 19.06.13 Piraeus Bank acquired 100% of Millennium Bank S.A. (MBG). As a result, the balance sheet data as of 30.06.13 are included in the Press Release, while in the P&L data for the period from 20.06.13 to 30.06.13 are included.

Due to the acquisition of ATEbank on 27.07.12, of Geniki Bank on 14.12.12, of operations of the Cypriot banks in Greece from 26.03.13, and of MBG from 19.06.13, it is not possible to present comparable figures and results for the Group both on a quarterly and on an annual basis..



Group Performance Highlights

H1 2013 Results

- Net interest income amounted to €734 mn in H1 2013. It should be noted, that net interest income was positively affected by the drastic reduction of ELA funding (liquidity of only €0.5 bn on 30.06.13), and also by the de-escalation of term deposits' cost.
- Net Fees & Commission Income reached €122 mn, 88% of which was originated from commercial banking activities.
- Net Revenues amounted to €956 mn, excluding the negative goodwill from acquisitions amounting to €3,810 mn.
- Operating Costs reached €644 mn, of which €347 mn are related to staff expenses, €237 mn administrative expenses and €60 mn depreciation & other expenses. Operating costs include one-off charges for integration expenses and acquisition costs amounting to €17 mn.
- Profit before Tax and Provisions in H1 2013 amounted to €308 mn, while excluding the one-off integration expenses, it amounted to €325 mn (figures excluding the negative goodwill from acquisitions).
- Loan impairment charges amounted to €1,054 mn or 2.8% (annualized) of average gross loans.
- Pre-tax result for H1 2013 was -€857 mn, excluding the negative goodwill from acquisitions.
- For the determination of the fair value of assets and liabilities of the operations of the Cypriot banks in Greece, of ATEbank, and of Millennium Bank Greece, the purchase price allocation methodology was applied according to the provisions stipulated in IFRS 3 "Business Combinations". The total negative goodwill amounted to €3,810 mn.
- Including this negative goodwill, pre-tax profit amounted to €2,953 mn in H1 2013, while net result from continuing operations attributable to shareholders amounted to €3,509 mn, including a positive deferred tax of €559 mn (mainly from the increase of the corporate tax rate from 20% to 26%).

Volumes and Presence as of 30 June 2013

- Group total assets amounted to €95.0 bn at the end of June 2013.
- Gross loans before adjustments amounted to €75.7 bn, of which business loans were 65%, mortgages 24% and consumer loans 11%.
- Deposits amounted to €54.7 bn, with savings and current deposits constituting 38% of the total portfolio.
- Net Loans to deposits ratio reached 116% at end June 2013, while the net Eurosystem funding ratio (i.e. excluding EFSF bonds that have been pledged as collateral to ECB) stood at 12% of assets.
- NPL ratio (loans in arrears over 90 days) reached 33% at the end of June 2013 and the coverage ratio of loans in arrears > 90 days by cumulative provisions stood at 49%. The ratio of cumulative provisions to gross loans amounted to 16.3%.
- Total equity of the Group, after the successful conclusion of the €8.4 bn share capital increase, amounted to €9.5 bn at the end of June 2013, and the Group's total capital adequacy ratio reached 14.0%.
- The Group's branch network at end June 2013 comprised of 1,718 units, of which 1,280 branches operated in Greece and 438 in nine countries internationally. As at 30.06.13, the Group employed 24,743 persons, 18,591 were in Greece and 6,152 abroad.

Key Figures of Piraeus Bank Group

(balance sheet data at the end of the period, income statement data for the first half 2013 and for full year 2012)

Consolidated Data (in € mn)	30.06.13	31.12.12
Selective Balance Sheet Figures		
Assets	95,026	70,408
• o/w assets from discontinued operations ¹	343	377
Gross Loans before adjustments ²	75,679	50,573
Cumulative Provisions ²	(12,362)	(5,961)
Deposits	54,733	36,971
Total Equity	9,462	(2,324)
Summary Results		
Net Interest Income	734	1,028
Net Fees & Commission Income	122	218
Net Trading Income & Gain less losses from Investment Securities	75	635
Other Operating Income & Dividend Income	26	(14)
Net Revenues	956	1,866
Personnel Expenses	(347)	(424)
Administrative Expenses	(237)	(379)
Depreciation & Other	(60)	(106)
Total Operating Costs	(644)	(909)
- of which one-off integration costs	(17)	
Share of profit of associates	(4)	15
Profit before Tax & Provisions	308	972
- without one-off integration costs	325	
Impairment of Loans & Other Assets	(1,165)	(2,197)
GGB Impairment	-	(311)
Negative Goodwill	3,810	351
Pre-Tax Result	2,953	(1,185)
Share of Bank shareholders in result after tax from continuing operations	3,509	(513)
Profit after tax from discontinued operations	21	13

NOTES

¹ **Discontinued Operations:** for the Balance Sheet, ATE Insurance-ATE Insurance Romania for 30.06.13, for the P&L Marathon Bank for H1 2012 and ATE Insurance-ATE Insurance Romania for H1 2013.

² **Gross Loans & Provisions:** The amount includes the fair value adjustment of €7.4 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.



Volume Evolution

The Group's total deposits amounted to €54.7 bn at the end-June 2013. Deposits in Greece with the integration of ATEbank, Geniki Bank, the Greek portfolios of the Cypriot Banks and Millennium Bank Greece, amounted to €50.2 bn. The Group's deposits in Greece (like-for-like) remained flat in H1 2013. It is worth noting, that the deposit increase for Piraeus-ATE network reached 9% during the same period or 12% on an annual basis. Piraeus Bank holds the first place in the Greek banking market with a deposit market share of 29%.

Deposits of the Group's international operations stood at €4.5 bn, constituting 8% of its total deposits.

Gross loans before adjustments of the Group at the end of June 2013 amounted to €75.7 bn. Loans in Greece were at €68.5 bn and loans in international operations at €7.2 bn. Regarding the loan composition per customer category, the total Group business loan portfolio stood at €49.1 bn, whereas retail loans amounted to €26.6 bn. Business loans represent 65% of total Group loans, whereas retail loans 35% (24% mortgages and 11% consumer loans). Based on loan market shares (30% according to June 2013 data), Piraeus Bank holds the first position in the Greek market.

The Group's loans to deposits ratio stood at 116% at the end of June 2013.

Group Volume Analysis - June '13	Amounts (€ mn)	Composition (%)
<u>Gross loans per type</u>		
Loans to businesses	49,116	65%
Loans to individuals	26,563	35%
Total loans	75,679	100%
• Greece	68,472	90%
• International Operations	7,207	10%
<u>Deposits per type</u>		
Sight-Savings	20,611	38%
Term	34,123	62%
Total deposits	54,733	100%
• Greece	50,243	92%
• International Operations	4,490	8%

Piraeus Bank's dependence on Eurosystem funding (ECB and ELA) declined almost by 50% since the beginning of the year to €16 bn. The relatively low use of Eurosystem funds, as reflected by the respective ratio of "net" Eurosystem funding over total assets, further improved to 12%, assisting the goal for funding autonomy, and re-establishing access in the capital markets.

Loan Portfolio Quality

The Group's loans in arrears over 90 days (NPLs) ratio reached 33% of gross loans at the end of June 2013, incorporating ATEbank, Geniki Bank, the Greek portfolios of the Cypriot Banks and Millennium Bank Greece.

The NPLs and loans in arrears over 90 days coverage by cumulative provisions ratio for the Group stood at 49%. The cumulative provisions to gross loans ratio reached a high level of 16% at end June 2013. It's worth mentioning, the stabilization in NPLs formation during the second quarter, is a positive sign for the portfolio evolution, given the macroeconomic conditions.

Capital Adequacy

Piraeus Bank completed its share capital increase at the end of June 2013, raising total capital amounting to €8,429 mn. The Group's total equity after the share capital increase amounted to €9,462 mn.

The Group's total capital adequacy ratio at the end of June 2013 stood at 14.0% and the EBA Core Tier I ratio at 13.8%.

Evolution of results

The Group's net interest income (NII) reached €734 mn in H1 2013. It should be noted, that NII is gradually benefitting from the normalization in the high funding cost, since deposits' cost in Greece is de-escalating in line with the stabilization of the domestic economic environment.

Moreover, the decline in the use of ELA facility, since the beginning of 2013, had a positive impact on the Group's net interest income during H1 2013, since the interest expense was smaller (€58 mn vs. €162 mn in H1 2012). Net interest income stemming from operations in Greece amounted to €577 mn, whereas the respective figure from international operations was €157 mn.

Net Fees & Commission Income amounted to €122 mn in H1 2013, of which commissions stemming from commercial activities reached €107 mn (88% of the total). Net Fees & Commission Income in Greece was €98 mn, while the respective amount for international operations was €24 mn.

Net revenues amounted to €956 mn in H1 2013, excluding the negative goodwill of €3,810 mn from acquisitions.

The Group's operating expenses amounted to €644 mn in H1 2013, of which 54% were related to staff expenses (€347 mn), 37% administrative expenses (€237 mn) and 9% depreciation and other expenses (€60 mn). Operating costs were burdened with €17 mn one-off integration costs for operations acquired since July 2012. Excluding these one-off costs, the Group's operating costs for H1 2013 amounted to €627 mn. To note, that within the framework of branch network rationalization in Greece and cost synergies' creation, 36 branches have ceased operations within H1 2013.

The Group's profit before tax and provisions amounted to €308 mn in H1 2013, whereas excluding the one-off integration costs, the figure stands at €325 mn.

The impairment losses on loans reached €1,054 mn (279 bps vs 466 bps in FY 2012), of which €866 mn in Greece and €189 mn abroad.

The Group pre-tax results amounted to -€857 mn, excluding the negative goodwill stemming from the acquisitions.

For the determination of the fair value of assets and liabilities of the operations of the Cypriot banks in Greece, of ATEbank and of Millennium Bank Greece, the purchase price allocation methodology was applied according to the provisions stipulated in IFRS 3 "Business Combinations". The total negative goodwill amounted to €3,810 mn.

Including the negative goodwill, the Group's pre-tax profit amounted to €2,953 mn.

The Group's net profit attributable to shareholders from continuing operations for H1 2013 was €3,509 mn, while discontinued operations posted a profit of €21 mn.

It should be noted, that net results include a positive deferred tax amount of €559 mn, mainly due to the increased corporate tax rate from 20% to 26% as of 1.1.2013.

Latest Developments

- On July 3 2013, the new, common, intangible, registered, voting shares of the Bank commenced trading on Athens Exchange (ATHEX). The 4,958,235,294 new shares of €0.30 nominal value each, were issued following the Bank's share capital increase, with payment in cash and in kind, in accordance with the decision by the 2nd Iterative General Assembly of Bank's shareholders on 23.04.2013 and the resolution of the Bank's Board of Directors on 29.05.2013. On July 3, 2013 849,195,130 Warrants ("HFSF Warrants") issued and granted by the Financial Stability Fund commenced trading.
- On June 23 2013, Piraeus Bank completed successfully the integration project of systems of the former ATEbank, in the information systems of Piraeus Bank.
- On July 14 2013, Piraeus Bank completed with absolute success the integration project of systems of the former Hellenic Bank branch network, in the information systems of Piraeus Bank.

Athens, August 28, 2013

The H1 2013 financial statements of Piraeus Bank Group will be available at the corporate site www.piraeusbankgroup.com on 29 August 2013.

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 2013, the Group possessed a network of 1,718 branches (1,280 in Greece and 438 abroad) and employed 24,743 people (18,591 in Greece and 6,152 abroad) and 6.3 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.