Positive Prospects of the Greek Economy

Share Capital Increase up to €1.75 bn

Full Year 2013 Results

The Banker
Bank of the Year 2013
GREECE

Management Statements

"2013 was the 6th consecutive year of recession for the Greek economy and all leading indicators suggest that it was the last one. In 2014 we believe that the forecasts will be verified and the economy will record a positive growth rate, particularly during the second half of the year. Greek Banks, stronger both in terms of capital and liquidity support the now visible recovery of the Greek economy.

The stress test that was conducted by the Bank of Greece, in cooperation with two international advisors, based on the credit loss projections as examined by BlackRock Solutions, demonstrated the strong position of the Greek banking system despite the fact that a very strict approach was adopted.

Piraeus Bank's Management, with a sense of responsibility and confidence in the prospects of the Bank, has resolved to convene an Extraordinary General Meeting on 28 March 2014 to approve a share capital increase up to €1,750 mn aiming to repay the €750 mn Government preference shares, to cover the €425 mn capital needs as identified by the BoG, taking into account the expected life time loan loss provisions, and to further strengthen the Bank's capital position. The share capital increase renders Piraeus Bank as one of the best capitalized Banks in Europe according to the new Basel III framework, strong enough to withstand extreme economic conditions and to decisively support the economic progress of the country."

Michalis Sallas, BoD Chairman

"2013 was a landmark year for Piraeus Bank Group, as the integration of 6 acquired banks was successfully concluded in a very short period of time. In 2014 we proceed from a stronger position to implement our key objectives that are focusing on the completion of actions necessary to realize the expected synergies, the introduction of best practices on managing non-performing loans and restructuring of troubled business sectors, as well as the further improvement of the operational efficiency and the profitability of the Group.

Piraeus Group's recurring pre-tax and provision profitability amounted to €731 mn in 2013 (excluding the negative goodwill from the acquisitions of €3.8 bn and the one-off integration costs of €233 mn). On a quarterly basis the core revenue sources continued their constant trend of improvement. Non-performing loans formation continued its downward course, a trend observed in the last 4 quarters. The coverage ratio of non-performing loans by provisions increased to 51% in December 2013 from 49% in September 2013, further strengthening the Group's balance sheet. Net result from continuing operations attributable to shareholders for 2013 amounted to €2.5 bn, including the benefit from the negative goodwill of the acquisitions of €3.8 bn.

The Group's liquidity improved further, with the net loans to deposits ratio setting at 111% in December 2013 from 113% at the end of September 2013. The Group's capital adequacy remains strong with EBA CT-1 ratio standing at 13.9%."

Stavros Lekkakos, Managing Director & CEO

Bank of Greece Capital Requirement for Piraeus Bank – Share Capital Increase

Bank of Greece capital requirement for Piraeus Bank

Bank of Greece has today published the capital needs for each of the Greek banks. The capital requirement for Piraeus Bank has been assessed at €425 mn. The key drivers of the capital requirement are the expected life time loan loss provisions, based on an asset quality review conducted by BlackRock Solutions and a number of assumptions selected by Bank of Greece regarding future capital generation.

Share Capital Increase up to €1.75 bn

The Board of Directors of Piraeus Bank has resolved to convene an Extraordinary General Meeting of the Shareholders on 28 March 2014 to approve a share capital increase of the Bank up to €1.75 bn in cash via the issuance of new ordinary registered shares and abolition of the pre-emptive rights of the existing shareholders. Further details regarding the share capital increase are provided at the following link: www.piraeusbankgroup.com.

Group Performance Highlights

Full Year 2013 Results

- **Net result** from continuing operations attributable to shareholders amounted to €2,532 mn. This amount includes the one-off gain from the negative goodwill of domestic operations of Cypriot banks, of ATEbank and of Millennium Bank Greece amounting to €3,810 mn.
- **Recurring pre-tax and provisions profitability** for 2013 amounted to €731 mn, when excluding the one-off integration and acquisition costs of €233 mn.
- **Net interest income** for the Group amounted to €1,662 mn. Net interest income was positively affected by the significant de-escalation of term deposits' cost, and the reduction of ELA funding utilization. On a quarterly basis, net interest income rose 5% to €475 mn in Q4 2013 and 13% compared to Q2.
- **Net fees & commissions income** reached €287 mn, with a quarterly increase of 24%, while the Group is planning a series of actions targeting further strengthening from their current low level.
- **Net revenues** amounted to €2,135* mn, while operating costs reached €1,637 mn, including one-off expenses of €233 mn, of which €126 mn is related to the voluntary exit scheme and €107 mn to the integration of acquisitions.
- **Loan impairment charges** amounted to €2,218 mn or 3.0% of gross loans before adjustments from 4.2% in December 2012, despite the significant decrease in the formation of non-performing loans during the Q4 (1.3% vs. 1.7% in Q3), thus further strengthening the coverage ratio to 51% from 49% in September 2013.

Volumes as of 31 December 2013

- Group **total assets** amounted to €92.0 bn, marking a 1% decline compared to September 2013.
- **Deposits** amounted to €54.3 bn, with their mix being particularly satisfactory, since the split between savings - sight deposits vs. time deposits was 41%/59%.
- **Gross loans** before adjustments continued their moderate deleveraging course (-1% q-o-q), in an environment of declining economic activity, and amounted to €74.2** bn. Net loans amounted to €60.4** bn.
- **Net loans to deposits ratio** improved further to 111%** at the end of 2013, compared to 113% in September 2013 and 115% in December 2012, while the net Euro system funding ratio (i.e. excluding EFSF bonds that have been pledged as collateral to ECB) stood at 12% of total assets.
- The loans in arrears over 90 days ratio reached 36.6%** and the coverage ratio of loans in arrears > 90 days by cumulative provisions stood at 51%.
- The ratio of **cumulative provisions to gross loans** amounted to 18.5%**, both for the Group and the Greek portfolio, vs. 14.5% for the total Greek market. In Q4 2013, the de-escalation in NPLs formation as a percentage of loans continued, and amounted to 1.3% versus 1.7% in Q3 2013.
- **Total equity** of the Group amounted to €8.5 bn, and the Group's EBA Core Tier I capital ratio reached the particularly satisfying level of 13.9%.
- The Group's branch network comprised of 1,449 units, of which 1,037 branches operated in Greece and 412 in 9 countries internationally. The Group's headcount, following the completion of the voluntary exit scheme in Greece where 2,115 employees participated, stood at 22,509 persons, of whom 16,558 in Greece and 5,952 abroad.

Key Figures of Piraeus Bank Group (***)

Consolidated Data (in € mn)	31.12.13	31.12.12
Selective Balance Sheet Figures		
Assets	92,010	70,408
Deposits	54,279	36,971
Gross Loans before adjustments [1]	76,114	50,573
Cumulative Provisions [1]	(13,748)	(5,961)
Total Equity	8,543	(2,324)
Summary Results	**FY 2013**	**FY 2012**
Net Interest Income	1,662	1,028
Net Fees & Commission Income	287	218
Net Trading Income & Gain less losses from Investment	147	635
Other Operating Income & Dividend Income	40	(14)
Net Revenues	**2,135**	**1,866**
Personnel Expenses	(885)	(424)
Administrative Expenses	(626)	(379)
Depreciation & Other	(127)	(106)
Total Operating Costs	**(1,637)**	**(909)**
- **of which one-off integration costs**	**(233)**	
Profit before Tax & Provisions	**498**	**957**
- **without one-off integration costs**	**731**	
Share of Profit of Associates	(29)	15
Impairment on Loans	(2,218)	(2,043)
Impairment on Other Assets & Other Impairments	(314)	(465)
Negative Goodwill	3,810	351
Pre-Tax Result	**1,748**	**(1,185)**
Share of Bank shareholders in result after tax from continuing operations	2,532	(513)
Profit After Tax from Discontinued Operations	30	13

[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 include the seasonal loan of €1.9 bn to OPEKEPE for the disbursement of EU agricultural subsidies, currently repaid.*

Volume Evolution

The Group's total deposits amounted to €54.3 bn at the end-December 2013, marking a marginal quarterly decline of 1%, which is attributed to the decline in public sector deposits. It is noted that the Bank holds the leading position in the Greek banking market with a deposit market share of 29%, which remains stable in the last 4 quarters. Deposits of the Group's international operations rose 2% quarterly and stood at €4.6 bn (9% of total deposits).

Gross loans before adjustments of the Group at the end of December 2013 amounted to €76.1 bn including the seasonal loan of €1.9 bn to OPEKEPE for the disbursement of EU agricultural support to about 660,000 farmers that has been repaid as of the beginning of February 2014. Loans in Greece were at €69.0 bn and loans in international operations at €7.1 bn (9% of total loans). The total Group business loan portfolio stood at €50.2 bn, whereas retail loans amounted to €25.9 bn. Business loans represent 66% of total Group loans, whereas retail loans 34% (24% mortgages and 10% consumer loans). Based on December 2013 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	50,167	66%
Loans to individuals	25,946	34%
Total loans	**76,114**	**100%**
• Greece	69,063	91%
• International	7,050	9%
Deposits per type		
Sight-Savings	22,208	41%
Term	32,072	59%
Total deposits	**54,279**	**100%**
• Greece	49,650	91%
• International	4,629	9%

The Group's loans to deposits ratio improved further and reached 111%** at the end of December 2013 from 113% in September 2013 (110% in Greece, 125% abroad, with both ratios on a constant improving course). Piraeus Bank's Euro system funding at year-end 2013 was significantly lower compared to a year ago (€11 bn[2] vs. €32 bn). The respective ratio over total assets stood already at 12%, assisting therefore the goal for funding autonomy. Moreover, it should be noted that Piraeus Bank currently is not in use of the ELA facility.

Loan Portfolio Quality

The Group's loans in arrears over 90 days (NPLs) ratio moved higher and reached 36.6%** of gross loans at the end of December 2013, as a result of the prolonged, though decelerating, recession and the deleveraging of the loan portfolio.

It is worth mentioning, the deceleration in the NPL formation also in Q4 2013 compared to the previous quarter, attributable both to Greek and to International loan portfolios. The loans in arrears over 90 days coverage by cumulative provisions ratio for the Group rose to 51% from 49% in September 2013. The respective ratio stood at end 2013 at 50% in Greece and 55% internationally. If tangible collateral is also considered, then total coverage reached 104%. The cumulative provisions to gross loans ratio at the end of December 2013 reached the particularly high level of 18.5%** (20% for business loans), whereas the respective ratio for the total Greek market stands at 14.5%.

Targeting the more effective management of non-performing loans, according to international best practices, Piraeus Bank has created two new General Divisions: The Recovery Banking Unit and the Task Force Unit. It is an undertaking of strategic importance that has already been launched and aims to create value for the Bank in the coming years through a dedicated management team, better portfolio segmentation, streamlined NPL management process, targeted policies and treatments, introduction of KPIs and sophisticated MIS.

Capital Adequacy

The Group's total equity at end-December 2013 amounted to €8,543 mn. The Group's Basel II total capital adequacy ratio at the end of December 2013 stood at 14.1% and the EBA Core Tier 1 ratio at 13.9%.

[2] Excluding €7 bn EFSF bonds pledged to ECB

Evolution of results

The Group's FY 2013 net revenues amounted to €2,135* mn, while net interest income (NII) which comprises its largest part reached €1,662 mn. NII is gradually benefitting from the normalization of the high funding cost, as the cost of term deposits in Greece is significantly de-escalating, due to the gradual stabilization of the economy and the return of confidence of the depositors in the Greek banking system. As indicatively mentioned the average monthly interest on time deposits for Piraeus stood at 3.05% in December 2013 against 4.58% a year ago.

Moreover, the minimization in the use of ELA facility since the beginning of 2013 had a positive impact on the Group's net interest income for the year, since the interest expense was smaller (€62 mn vs. €409 mn in 2012 incremental cost over ECB reference rate). The aforementioned resulted in 5% increase in NII in the Q4 2013 to € 475 mn, and 13% higher compared to Q2 '13.

Net fees & commission income amounted to €287 mn in 2013, whereas in Q4 2013 it amounted to €91 mn from €74 mn in Q3 2013. Commissions stemming from commercial activities reached €256 mn comprising 89% of the total. Net fees & commission income in Greece was €237 mn, while the respective amount for international operations was €50 mn.

The Group's operating expenses amounted to €1,637 mn in 2013, of which 54% were related to staff expenses (€885 mn), 38% administrative expenses (€626 mn) and 8% depreciation and other expenses (€127 mn). Operating costs in 2013 were burdened by €233 mn one-off integration costs for operations acquired in the period July 2012-June 2013 (of which €126 mn were related to the voluntary exit scheme). Excluding these one-off costs, the Group's operating costs for 2013 amounted to €1,404 mn.

It should be noted, that within the framework of branch network rationalization in Greece and cost synergies' creation, 317 branches have ceased operations during 2013, with the domestic network reaching 1,037 units (986 today). Moreover, the Bank concluded the voluntary exit scheme in Greece with 2,115 persons participating which will result at a reduction in staff expenses of approximately €96 mn annually beginning from 2014.

The Group's recurring profit before tax and provisions amounted to €498* mn in 2013. Excluding the one-off integration costs of €233 mn, recurring profit before tax and provisions stands at €731 mn for the year.

Impairment loan losses reached €2,218 mn presenting a decline to 3.0% as percentage of loans vs. 4.2% in 2012. This amount is broken-down to €1,912 mn in Greece and €305 mn abroad. Moreover, additional impairments of €314 mn were booked in year 2013 related to fixed and intangibles assets, investment securities and other receivables.

The Group net results from continuing operations attributable to shareholders amounted to €2,532 mn including the €3,810 mn [3] negative goodwill stemming from the acquisitions

Athens, March 6th, 2014

[3] It is noted that in order to determine the fair value of the assets and liabilities of the domestic operations of the Cypriot Banks, ATEbank and Millennium Bank Greece the Purchase Price Allocation method was used according to IFRS3 "Business Combinations". The total negative goodwill amounted to €3,810 mn.

NOTES:

The audit of the financial statements has not yet been concluded but no material change is expected.
www.piraeusbankgroup.com

(*) Without the negative goodwill of domestic operations of Cypriot banks, of ATEbank and of Millennium Bank Greece amounting to €3,810 mn.

(**) Excluding the seasonal loan of €1.9 bn to OPEKEPE as bridge financing to 660,000 Greek farmers, granted in Q4 '13 and currently repaid.

(***) 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 31.12.13 are included in the Press Release, while in the P&L data are included for the period from 16.03.13 to 31.12.13. On 19.06.13 Piraeus Bank acquired 100% of Millennium Bank S.A. (MBG). As a result, the balance sheet data as of 31.12.13 are included in the Press Release, while in the P&L data for the period from 20.06.13 to 31.12.13 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.
Discontinued Operations: ATE Insurance and ATE Insurance Romania in 2012 and 2013, while for 2012 results Marathon Bank is also included.

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 December 2013, the Group possessed a network of 1,449 branches (1,037 in Greece and 412 abroad) and employed 22,509 people (16,558 in Greece and 5,952 abroad) and 6.9 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.