Management Statements

“2014, according to all indications, is expected to be the first year of growth for the Greek economy. The efforts of the previous years had undoubtedly a positive impact on the country’s fiscal position, on its external balance and its competitiveness. It is essential that these efforts continue and achieve their targets, so that we can enter as soon as possible in a course of sustainable and export oriented growth.

Since the beginning of 2014, Piraeus Bank undertook major initiatives in order to strengthen the Group, which also had a positive impact on the recovery course of the Greek economy. Namely, the conclusion -with significant success- of the recent share capital increase of €1.75 bn that attracted private investors, has placed the Bank among the strongest capitalized in Europe and has led to the repayment of the €750 mn preference shares held by the Hellenic Republic. Simultaneously, Piraeus Bank became the first Greek Bank to regain access to the international debt markets after five years, with the successful issuance of a senior bond of €500 mn, thus facilitating other similar moves of sovereign and bank debt issuance.

The active and mutually beneficial management of the troubled loans and also the support to new and viable business plans targeting to facilitate entrepreneurship and the recovery of the economy in general, constitute major goals for the Group”.

Michalis Sallas, BoD Chairman

“Piraeus Group’s recurring pre-tax and provision profitability for Q1 2014 amounted to €245 mn, 8% higher compared to Q4 2013. Net interest income continued its upward course, benefitting from the de-escalation of deposit cost, while operating expenses, excluding the one-off integration expenses, marked a major decline by around 20% compared to Q4 2013. New NPL formation further slowed down, a trend present in the past 5 quarters. The coverage ratio of non-performing loans by provisions stood at 51%, while the ratio of cumulative provisions to gross loans rose further to 19.2% vs. 15.6% for the whole Greek market. Net result from continuing operations attributable to shareholders for Q1 2014 amounted to a loss of €247 mn.

The Group’s liquidity further improved, with the net loans to deposits ratio setting at 109% in March 2014 from 111% at the end of December 2013. The Group’s pro-forma capital adequacy remains particularly strong with the Common Equity Tier 1 ratio standing at 14.4% according to the new Basel III framework following the recent share capital increase and the repayment of the preference shares owned by the Hellenic Republic.

In 2014, Piraeus Group has focused on further consolidating on the already attained operating integration, the conclusion of the actions to be undertaken for the restructuring of the troubled asset portfolio and the finalization of the necessary actions required for the implementation of synergies stemming from the acquisitions. In addition, our primary focus is to further improve the level of customer servicing and the quality of our products and services, with ultimate goal the revitalization of the country’s economy. ”

Stavros Lekkakos, Managing Director & CEO

Group Performance Highlights

Q1 2014 Results

- **Recurring pre-tax and provisions profitability** amounted to €245 mn, 8% higher versus Q4 2013, (excluding €32 mn one-off costs related to integration and acquisitions, and -€22 mn trading results stemming from the exposure in Ukraine due to the devaluation of the local currency).
- **Net interest income** for the Group continued its upward trend on a quarterly basis and amounted to €479 mn, 1% higher compared to Q4 2013.
- **Net fees & commissions income** amounted to €80 mn, remained flat compared to the previous quarter, on a seasonally adjusted basis for the agri-business fees (€12 mn), while the Group has initiated a series of actions that will further strengthen fees and commissions.
- **Net operating revenues** amounted to €553 mn, while operating costs displayed a significant improvement reaching €323 mn, excluding the €32 mn one-off expenses related to the integration of acquisitions. Operating costs therefore, decreased 21% compared to Q4 2013 (€408 mn).
- **Loan impairment charges** amounted to €481 mn or 2.6% of gross loans before adjustments from 3.6% in Q4 2013, benefiting from the significant reduction in new non-performing loans formation.
- **Net result** from continuing operations attributable to shareholders amounted to -€247 mn.

Volumes as of 31 March 2014

- Group **total assets** amounted to €89.5 bn, recording a 1% decline compared to December 2013*.
- **Deposits** were €54.6 bn, increased 1% compared to the previous quarter, with their mix being particularly satisfactory, since the split between savings - sight deposits vs. time deposits was 40%/60%.
- **Gross loans** prior to adjustments continued their moderate deleveraging course (-1% q-o-q*), in an environment of negative economic growth, but at a decelerating pace, and amounted to €73.6 bn. Net loans amounted to €59.5 bn.
- **Net loans to deposits ratio** further improved in March 2014 to the level of 109% versus 111%* in December 2013 and 113% in September 2013, while the net Eurosystem funding ratio (excluding EFSF bonds that have been pledged as collateral to ECB) declined further to 9% of total assets.
- The **loans in arrears** over 90 days ratio reached 37.9%, while the new non-performing loans formation in Q1 2014 continues the downward trend for the 5th consecutive quarter (as percentage of loans at 1.0% from 1.3% in Q4 2013), 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 March 2014, reaching the particularly high level of 19.2%, both for the Group and the domestic portfolio, versus 15.6% for the total Greek market.
- Pro-forma **total equity** of the Group (including the recent capital increase of €1.75 bn and the repayment of preference shares of the Hellenic Republic of €750 mn) amounted to €9.3 bn, while the Group's pro-forma capital adequacy ratio of Common Equity Tier I, according to the new regulatory framework of Basel III, amounted to the very satisfactory by international standards level of 14.4%.
- The Group's **branch network** at the end of March 2014 comprised of 1,374 units, of which 964 branches operated in Greece and 410 in 9 countries internationally. The Group's **headcount**, stood at 22,402 persons, of whom 16,454 were employed in Greece and 5,948 abroad.

Key Figures of Piraeus Bank Group (**)

Consolidated Data (in € mn)	31.03.14	31.12.13
Selective Balance Sheet Figures		
Assets	89,457	92,010
Deposits	54,609	54,279
Gross Loans before Adjustments [1]	73,610	76,114
Cumulative Provisions [1]	(14,155)	(13,748)
Total Equity	9,320[2]	8,543
Summary Results	**Q1 2014**	**Q4 2013**
Net Interest Income	479	475
Net Fees & Commission Income	80	91
Net Trading Income & Gain less losses from Investment	(15)	45
Other Operating Income & Dividend Income	9	(25)
Net Revenues	**553**	**586**
Personnel Expenses	(190)	(313)
Administrative Expenses	(123)	(237)
Depreciation & Other Expenses	(43)	(34)
Total Operating Costs	**(355)**	**(584)**
- **of which one-off integration costs**	**(32)**	**(176)**
Profit before Tax & Provisions	**198**	**2**
- **recurring PPI, without trading results**	**245**	**226**
Share of Profit of Associates	(4)	(24)
Impairment on Loans	(481)	(674)
Impairment on Other Assets & Other Impairments	(35)	(174)
Pre-Tax Result	**(322)**	**(871)**
Share of Bank shareholders in result after tax from continuing operations	(247)	(700)
Profit After Tax from Discontinued Operations	(2)	11

[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.*

[2] *31.03.14 data, pro-forma for the €1,750 mn share capital increase and the repayment of the preference shares owned by the Hellenic Republic of €750 mn.*

Volume Evolution

The Group's total deposits amounted to €54.6 bn at the end-March 2014, marking a marginal quarterly increase of 1%, with an equal contribution by both domestic and international activities. 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 during the last 5 quarters. Deposits of the Group's international operations rose 4% quarterly and stood at €4.8 bn representing 9% of Group's total deposits.

Gross loans before adjustments at the end of March 2014 amounted to €73.6 bn versus €76.1 bn in December 2013. This decrease was due to the repayment of the seasonal loan to farmers (OPEKEPE) of €1.9 bn, as well as to the moderate deleveraging caused by the economic recession, which however is decelerating (GDP -1.1% in Q1 2014, -2.3% in Q4 2013). Both business loans (excluding OPEKEPE) and retail loans recorded a similar decrease of 1% on a quarterly basis. Loans in Greece were at €66.6 bn and loans in international operations at €7.0 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 March 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	47,936	65%
Loans to individuals	25,675	35%
Total loans	**73,610**	**100%**
• Greece	66,645	91%
• International	6,965	9%
Deposits per type		
Sight-Savings	21,878	40%
Term	32,731	60%
Total deposits	**54,609**	**100%**
• Greece	49,801	91%
• International	4,809	9%

The Group's loans to deposits ratio improved further and reached 109% at the end of March 2014 (108% in Greece, 117% abroad), versus 111%* in December 2013 and 114% in March 2013. Piraeus Bank's Eurosystem funding on March 31, 2014 was further reduced from the beginning of the year (net funding at €8 bn[3] versus €11 bn), with zero ELA utilization, while as a percentage of total assets it decreased to 9%, thereby enabling the Group to obtain funding autonomy. It should be noted that according to end-May 2014 data, this ratio is further reduced to 7%.

Loan Portfolio Quality

The Group's loans in arrears over 90 days (NPLs) ratio increased and reached 37.9% of gross loans at the end of March 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 Q1 2014 compared to the previous quarters. More specifically, the percentage of new NPL formation declined to 1.0% in Q1 2014 from 2.4% in the corresponding quarter last year, 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%, while by geographical area the respective ratio stood in March 2014 at 50% in Greece and 54% internationally. If tangible collateral is also considered, then total coverage reached 103%. The cumulative provisions to gross loans ratio at the end of March 2014 reached the particularly high level of 19.2% (22% for business loans, 37% for consumer/credit cards), whereas the respective ratio for the total Greek market stands at 15.6%.

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

Capital Adequacy

The Group's total equity at end-March 2014 amounted to €9.3 bn, pro-forma for the recent share capital increase of €1.75 bn and the repayment of preference shares of the Hellenic Republic. The Group's total capital adequacy ratio, according to the new regulatory framework of Basel III, which has entered into force since 1.1.2014, stood at the end of March 2014 at 14.6% and the Common Equity Tier 1 ratio at 14.4%, which is quite high according to European standards.

In mid-April 2014, Piraeus Bank successfully concluded its share capital increase of €1.75 bn 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 (binding) and the adverse scenario (€425 mn and €757 mn respectively), but also to repay the €750 mn preference shares of the Hellenic Republic 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 to 67%) with foreign institutional investors holding 28%.

It is noted that the repayment of preference shares which was concluded on May 21, 2014 apart from the qualitative improvement in the bank's capital composition, comprises an essential first step towards regaining the ability of distributing future dividends to its shareholders.

Evolution of results

The Group's Q1 2014 net revenues amounted to €553 mn, while net interest income (NII) which comprises 87% of net revenues, reached €479 mn, increased 1% on a q-o-q basis. NII is gradually benefitting from the rationalization of the high funding cost, as the cost of term deposits in Greece is de-escalating, due to the gradual stabilization of the economy and the return of depositor confidence in the Greek banking system. As indicatively mentioned the average monthly interest rates on time deposits for Piraeus in Greece decreased from 3.05% in December 2013 to 2.88% in March 2014.

Net fees & commission income amounted to €80 mn in Q1 2014, stabilized compared to Q4 2013 (excluding the respective seasonal fee attributed to agri-business). Commissions stemming from commercial activities comprise 87% of total commissions, from investment banking 7% and from asset management 6%. Net fees & commission income in Greece was €66 mn, while the respective amount for international operations was €14 mn.

The Group's operating expenses amounted to €355 mn in Q1 2014, of which 53% were related to staff expenses (€190 mn), 35% administrative expenses (€123 mn) and 12% depreciation and other expenses (€43 mn). Operating costs in Q1 2014 were burdened by €32 mn one-off integration costs for the operations that were acquired during the period July 2012-June 2013 (of which €7 mn were related to the voluntary exit scheme). Excluding these one-off costs, the Group's operating costs for Q1 2014 amounted to €323 mn, reduced 21% compared to the previous quarter on a like-for-like basis.

It should be noted, that within the rationalization process of the Group's branch network in Greece and cost synergies' realization, 73 branches have ceased operations during Q1 2014, with the domestic network reaching 964 units (903 today). Moreover, the Bank concluded an additional voluntary exit scheme in Greece with almost 140 persons participating.

The Group's recurring profit before tax and provisions amounted to €245 mn in Q1 2014, increased 8% compared to Q4 2013.

Impairment loan losses reached €481 mn, marking a decline to 2.6% as a percentage of loans versus 3.6% in Q4 2013. This amount is broken-down to €403 mn in Greece and €78 mn abroad. Moreover, additional impairments of €35 mn for other receivables were recognized.

The Group net results from continuing operations attributable to shareholders amounted to a loss of €247 mn.

Athens, May 30th, 2014

***NOTES**:*
Piraeus Group financial statements for Q1 2014 will be published at the Group's internet site on Friday May 30, 2014.

www.piraeusbankgroup.com

(*) In 2013 the seasonal loan of €1.9 bn to OPEKEPE is excluded as bridge financing to 660,000 Greek farmers, granted in Q4 '13 and already 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 the operations of the Cypriot networks 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 on an annual basis.
Discontinued Operations: ATE Insurance and ATE Insurance Romania in 2014 and 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 March 2014, the Group possessed a network of 1,374 branches (964 in Greece and 410 abroad) and employed 22,402 people (16,454 in Greece and 5,948 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.