NPLs stock lower by €2.5bn yoy
Customer deposits up €3.0bn yoy
Marginal loss of €4mn on consolidated basis, with €74mn domestic profit

Management Statements

"2016 was a pivotal year for Piraeus Bank. In financial terms, the year marked the stabilization in the Bank's performance, especially during the second half of the year, with improving market conditions. Liquidity and asset quality has improved, along with net results performance. At a corporate level, the year was characterized by the structural change in the composition of the Bank's Board of Directors, in accordance with best international practices and supervisory regulations. These structural changes further strengthen the Bank for the benefit of its shareholders, customers and employees. The appointment of Mr. Christos Megalou as Chief Executive Officer of the Bank in early March 2017 marks a major step in the strengthening of the Bank's Board of Directors and its corporate governance, which builds on significant progress made during 2016..

Piraeus Bank delivered against its restructuring plan in 2016, supporting the economic recovery in Greece, as the largest bank in the country. An important factor for the Bank's successful turnaround is, of course, a stable political and economic environment, which will contribute to the restoration of confidence.

In this context, the Bank's strategic pillars going forward have been set and are the following: a) best practices in corporate governance, with substantial presence of experts with extensive international experience on the Board of Directors; b) sustained profitability of our core business; c) swift implementation of the restructuring goals; d) exit from non-strategic activities that will free-up resources strengthening our core banking platform; and e) initiatives related to digitalization and innovation, which will reduce operating costs and further enhance operational efficiency and customer experience."

George Handjinicolaou, Chairman of the Board of Directors

"The stabilization of the Greek economy, combined with the disciplined execution of Piraeus Bank's restructuring plan, led to credible results in 2016 in asset quality, liquidity and income metrics:

- decrease of NPLs by €2.5bn yoy and €3.1bn from Sep.15 peak level;
- decrease of NPEs by €0.7bn yoy and €1.6bn from Sep.15 peak level;
- increase of customer deposits by €3bn yoy, with €3.5bn increase in H2.16;
- reduction of ELA funding by €5bn yoy and €10bn from Jun.15 peak level;
- strengthened pre-provision income at €1,044mn from €920mn in 2015;
- marginal result of €4mn losses on consolidated accounts, with profitability of €74mn in Greece, after many years of heavy losses.

The CET-1 ratio was maintained at a high level 17.0%, combined with a solid 69.5% NPLs provision coverage and an improved loans to deposits ratio at 113%. Despite the negative headwinds that unfolded during the first months of 2017 for the Greek banking market, similar to those experienced in early 2016, Piraeus Bank's executive team is cautiously optimistic on delivering against the targets for 2017, which are to further enhance asset quality, liquidity and achieve profitability."

George Poulopoulos, Deputy Chief Executive Officer

Group P&L Highlights

- **Net interest and fee income,** which constitute the core sources of income and represent over 90% of total net revenues amounted to €544mn in Q4.2016, which is their highest level for the year, +0.4% vs. Q4.2015 and +1.3% on a quarterly basis. In Greece, net interest and fee income amounted to €500mn, +1.3% annually and +1.2% quarterly.

- **Net interest income** reached €453mn, -2% vs. Q4.2015 and almost flat on a quarterly basis, positively affected by the ongoing decrease of funding cost which compensated for the impact of loan deleveraging and the further reduction of Euribor that provides the base for pricing most asset items. In Greece, net interest income reached €418mn, -1% both annually and quarterly. In Greece, the de-escalation of time deposit cost continued further: new time deposits cost reached 65 basis points (bps) in December 2016, with the average interest rate in Q4.2016 for total deposits at 49bps, dropping further from 51 bps in Q3.2016 and 65bps in Q4.2015. The Group's **net interest margin (NIM)** stood at 2.72% in Q4.2016 vs. 2.70% in Q4.2015, while in Greece it was 2.73% from 2.68% respectively.

  For 2016, the Group's net interest income reached €1,811mn, decreasing 3.5% versus 2015, burdened by results abroad, while in Greece it stood at €1,666mn, with a mere 0.6% reduction respectively.

- **Net fee and commission income** stood at €91mn in Q4.2016, up 16% against Q4.2015 and +11% quarterly. In Greece the annual and quarterly increase was similar (+16% and +11%), with net fee and commission income reaching €82mn. The Group's net fee and commission income as a percentage of assets stood higher in Q4.2016 at 55bps from 46bps in Q4.2015, while the same trend was also evident in Greek operations (54bps from 45bps in Q4.2015).

  For 2016, the Group's net fee income reached €326mn, 7% higher compared to 2015. In Greece, the respective amount was €294mn, 7% higher annually as well.

- **Operating expenses** stood at €355mn, lower by 28% compared to Q4.2015 or -7% on a recurring basis, while it recorded an increase versus Q3.2016 (€322mn) due to seasonal effect, but also stemming from third-party expenses related with NPL deleveraging effort. The recurring **cost to income ratio** for FY.2016 stood at 58%, while in Greece the ratio was at 56%.

  For 2016, the Group's operating expenses amounted to €1,322mn, 10% down yoy or 3% on a comparable basis (as 2015 was burdened with €111mn one-off cost for a voluntary exit scheme). Actions already taken (personnel voluntary exit scheme, branch number reduction), as well as further digitalization processes are in the pipeline of delivering further operating cost reduction.

- **Pre provision income (PPI)** in Q4.2016 was resilient at €227mn vs. €112mn in Q4.2015. In Greece, PPI reached €217mn vs. €115mn in Q4.2015.

  For 2016, the Group's PPI amounted to €1,044mn vs. €920mn in 2015. In Greece, PPI was €996mn vs. €858mn the previous year.

- **Loan impairment charges** amounted to €310mn in Q4.2016 against €1,384mn in Q4.2015, further strengthening the Group's balance sheet and the NPL coverage ratio at 69.5% against 65.0% in 2015.

  For 2016, loan provisions declined substantially, on the back of reducing economic uncertainty and declining Group non-performing loans, dropping to €1,015 mn from €3,487mn in 2015. Cost of risk over net loans fell to 2.1% in 2016 from 6.7% in 2015.

- **Net result from continuing operations attributable to shareholders** amounted to a loss of €18mn for Q4.2016 compared to a loss of €1,238mn in Q4.2015.

  For 2016, the Group's net result from continuing operations attributable to shareholders was marginally negative at €4mn vs. losses of €1,858mn in 2015. To note, that for the domestic operations, year 2016 was profitable by €74mn vs. losses of €1.4bn in 2015.

Balance Sheet Highlights

Customer deposits reached €42.4bn at the end of 2016, higher by €3bn annually, following further capital controls relaxation in Greece in mid 2016, clearance of State arrears towards private sector providers, as well as Piraeus Bank's targeted product offering and client campaigns. All the increase was recorded in the second half of the year. Deposits in Greece recorded a €2.8bn increase in 2016 and amounted to €39.3bn, while international deposits reached €3.0bn at the end of 2016 from €2.8bn at the end of 2015.

On a yearly basis, Piraeus Bank's deposits in Greece increased in 2016 by 8% against respective domestic market performance of +4% respectively.

Eurosystem funding significantly reduced by €16.4bn to €20.9bn at the end of 2016 from €37.3bn at the end of June 2015 (peak of uncertainty). In particular, ELA funding dropped to €11.9bn at the end of 2016 from €16.7bn at the end of 2015, while ECB to €9bn from €16bn respectively. Interbank repo balances increased further to €5.9bn in December 2016 versus €1.7bn a year earlier.

At the end of March 2017, Eurosystem funding was further reduced to €15bn, with both a reduction of ELA (-€1bn) and ECB financing (-€5bn) vs. the end of 2016, while interbank repos increased to €8bn.

Gross loans before impairments and adjustments amounted to €66.6bn at the end of December 2016, while net loans amounted to €49.7bn. Total gross loans in Greece stood at €63.0bn, while loans from international operations amounted to €3.7bn. Net loans to deposits ratio substantially improved to 113% from 126% respectively excluding the seasonal OPEKEPE agri-loan.

At the end of December 2016, gross loans in Greece dropped 1.2% annually pre write-offs (-2.6% post write-offs), almost in line with the overall market.

The **Common Equity Tier 1 ratio** of the Group was 17.0% at the end of 2016. The fully loaded CET-1 ratio stood at 16.2%. At the end of 2016, total equity amounted to €9,824mn vs. €10,021mn at the end of 2015. In Q4.2016, the capital position was affected by the interest coupon payment (€118mn) for the €2,040mn contingent convertible bonds (CoCos).

The loans in arrears over 90 days ratio was 37.5% (excluding the OPEKEPE agri-loan, or 36.6% when included), with the NPL stock significantly reduced for the 5th consecutive quarter. The total reduction in 2016 has reached €2.5bn, bringing NPLs down to €24.4bn in December 2016. This trend is a combination of negative NPL formation and write-offs. Group non-performing loans formation was negative for the 4th consecutive quarter, reaching -€450mn in Q4.2016 from -€335mn in Q3.2016, with strong negative formation in Greece from the business portfolio (-€386mn from -€256mn the previous quarter). For the retail portfolio, it was the 5th consecutive quarter with negative formation of non-performing loans. The Group **coverage ratio of loans in arrears over 90 days by cumulative provisions** at the end of December 2016 improved further to 69.5% from 67.5% at the end of September 2016, whereas a year before, at the end of December 2015, it stood at 65.0%. **Non-performing exposures (NPEs) ratio** at the end of December 2016 was at 52.0% (excluding OPEKEPE loan, or 50.8% including it), with coverage by cumulative provisions at 47%. Operational targets for both NPLs and NPEs for the parent entity were achieved for both quarters, namely Q3 and Q4.2016, as per the Bank's plan submitted to Single Supervisory Mechanism (SSM).

The **branch network** in Greece at the end of December 2016 was at 660 units (reduced by 11 branches qoq and 49 annually), while on a Group level it stood at 921.

The Bank's Restructuring Plan targets a level of 650 branches in Greece by the end of 2017, a level almost already reached.

The **Group's headcount** for continuing operations at the end of December 2016 was 18,075 employees (-261 on a quarterly basis), of which 14,492 (-304 on a quarterly basis) in Greece.

During 2016, a voluntary exit scheme was implemented, with the participation of approximately 1,230 employees in Greece, while P&L has started being positively affected (fully phased annual estimated benefit of c.€50mn).

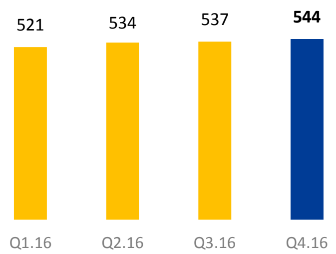
Selected Figures of Piraeus Bank Group

Consolidated Data (amounts in €mn)	31.12.16	30.09.16	Δ qoq	31.12.15	Δ yoy	
Selected Balance Sheet Figures						
Assets	**81,501**	**82,639**	**-1%**	**87,934**	**-7%**	
Deposits [1]	**42,365**	**39,694**	**7%**	**39,358**	**8%**	
Gross Loans before Adjustments [2]	**66,648**	**65,399**	**2%**	**68,071**	**-2%**	
Cumulative Provisions	**16,941**	**17,120**	**-1%**	**17,480**	**-3%**	
Total Equity	**9,824**	**9,964**	**-1%**	**10,021**	**-2%**	
Selected P&L Results	**FY 2016**	**FY 2015**	**Δ yoy**	**Q4.2016**	**Q3.2016**	**Δ qoq**
Net Interest Income [3]	1,811	1,877	-4%	453	455	0%
Net Fees & Commission Income	326	306	7%	91	82	11%
Net Trading & Inv. Securities Income	162	109	48%	35	10	>100%
Other Operating & Dividend Income	68	101	-33%	2	27	-92%
Net Revenues	**2,366**	**2,393**	**-1%**	**582**	**574**	**1%**
-excl. one-off items [4]	**2,289**	**2,393**	**-4%**	**582**	**574**	**1%**
Personnel Expenses	(628)	(772)	-19%	(157)	(151)	3%
Administrative Expenses	(584)	(589)	-1%	(170)	(143)	19%
Depreciation & Other Expenses	(111)	(112)	-1%	(28)	(28)	1%
Total Operating Costs	**(1,322)**	**(1,473)**	**-10%**	**(355)**	**(322)**	**10%**
-excl. one-off items [5]	**(1,322)**	**(1,361)**	**-3%**	**(355)**	**(322)**	**10%**
Pre Provision Income (PPI)	**1,044**	**920**	**13%**	**227**	**253**	**-10%**
-excl. one-off items	**967**	**1,032**	**-6%**	**227**	**253**	**-10%**
Impairment Losses on Loans [3]	(1,015)	(3,487)	-71%	(310)	(210)	48%
Impairment Losses on Other Assets	(179)	(351)	-49%	(115)	(19)	>100%
Associates' Results	(18)	(13)	-	(10)	16	-
Pre Tax Result	**(168)**	**(2,930)**	**-**	**(209)**	**40**	**-**
Income Tax	159	1,069	-	188	(11)	-
Net Result Attrib. to SHs Cont. Operations	**(4)**	**(1,858)**	**-**	**(18)**	**31**	**-**
Non Controlling Interest Cont. Operations	(5)	(3)		(3)	(1)	
Net Result from Discontinued Operations	(31)	(35)	-	3	(11)	-

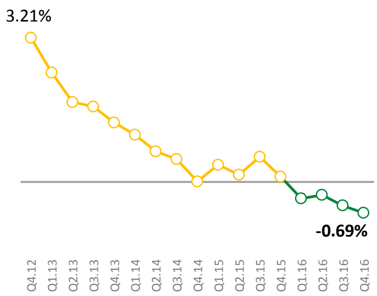
(1) In deposits, an amount of €0.4bn related to time deposits of the Investment Cover Scheme and the Supplementary Deposits Cover Fund of the Hellenic Deposit and Investment Guarantee Fund has been included
(2) At year-end 2016 gross loans include a seasonal agri-loan to OPEKEPE (Payment Authority of Common Agricultural Policy) of €1.7bn (€1.0bn at end 2015)
(3) Reclassification of €93mn in 9month 2016 (€32mn for Q3.2016) has taken place, equally reducing the loan provision expense
(4) One-off financial gain of €77mn has been deducted in 2016 (Q2.2016) from the sale of Visa Europe
(5) One-off operating cost of €111mn has been deducted in 2015 (Q4.2015) for a personnel voluntary exit scheme

The Consolidated Financial Statements for FY.2016 of Piraeus Bank Group will be posted on the corporate website (www.piraeusbankgroup.com) today March 31, 2017. The financial statements also contain a table with references to the Alternative Performance Measures as per the European Securities & Markets Authority guidelines.

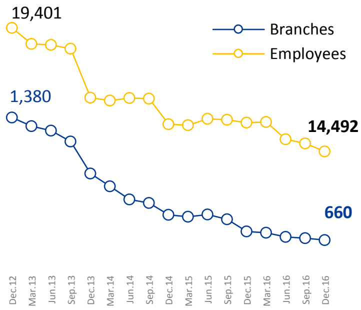
Core Revenues (€mn)



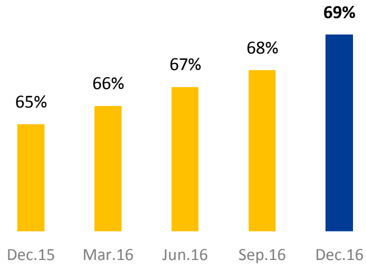
NPL Formation over Gross Loans (%)



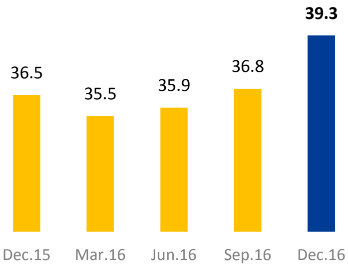
Employees & Branches in Greece (#)



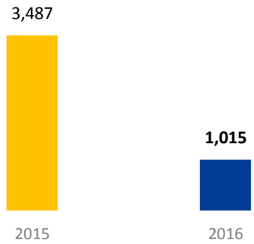
NPLs Coverage Ratio (%)



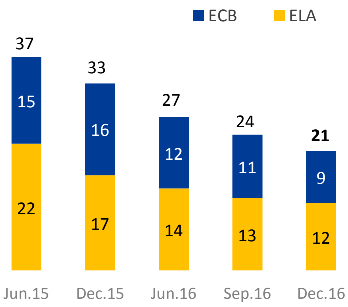
Customer Deposits in Greece (€bn)



Cost of Risk (€mn)



Eurosystem Funding (€bn)



CET-1 Ratio (% | Dec.16)