



# Piraeus Bank recorded a profit of €7mn in Q2.2017 Accelerated Execution of "Agenda 2020" Core Bank Yields 1.1% RoA in H1.2017, Group P&L at Break-even

### **Management Statement**

"The conclusion of the second review between Greece and the Institutions has helped to ease the economic uncertainty experienced in the beginning of 2017 and is a major step forward in ensuring the Greek economy back on track.

Piraeus Bank Group's pre provision income rose by 14% y-o-y in 6M to €549mn, driven by annual net income growth of 3% and cost reduction of 5%. In our continued effort to deal with the legacy issues of the Bank, provisions remained at the high-end of our guidance, resulting in a break-even bottom line for the Group for the 6M period. In Q2, our continuing operations recorded a profit attributable to shareholders of €7mn vs. a loss of €7mn in the previous quarter. Our cost-to-income ratio for the second quarter reduced to 50%, while our ratio in Greece stood at 47% for the first time since market consolidation.

At the end of Q2, the Group's CET-1 capital ratio stood at 16.9%, slightly improved compared to the previous quarter (16.8%). NPLs decreased by €1.1bn q-o-q, down by €4.9bn from their September 2015 peak, reducing the NPL ratio in Greece to 37.0%. NPEs decreased by €0.7bn q-o-q and €3.3bn from their peak, respectively. The improving sentiment, due to the closing of the second review, supported our customer deposit base as of mid-June and reversed outflows, ending Q2 with a quarterly increase of €150mn. This trend continues so far in Q3, with inflows of more than €300mn. Simultaneously, our ELA reliance decreased by €0.7bn in Q2 to €10.3bn and is further reduced in Q3, reaching €8.5bn in late August, mainly driven by further deposit inflows, deleveraging and more active interbank repo market.

In late May 2017, we announced our new strategic plan for the period up to 2020, entitled "Agenda 2020". We are focused on the disciplined implementation of this plan, having as a set of enablers to de-risk our balance sheet, resize and focus, implement a profitable and sustainable business model, optimise our capital allocation, strengthen our risk and control functions and adopt superior governance standards.

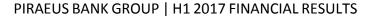
Our core banking franchise ("Piraeus Bank") recorded a net profit of €217mn in 6M, achieving a return on assets of 1.1%, which highlights the strengths of our business and gives an indication of what we can deliver once the transformation of our Group is completed. "Piraeus Bank" yielded a robust set of operating metrics in 6M, including NIM of 310bps, fees at 71bps over assets and a cost-to-income ratio of 52%.

Our legacy unit ("Piraeus Legacy Unit" or "PLU") posted a loss of €217mn in 6M, reduced in RWA size by €1.0bn q-o-q. Deleveraging of the PLU will further accelerate through planned restructurings, collections, liquidations, write-offs, divestments and targeted disposals. In the past few months, we have accelerated the pace of our non-core assets disposal program, in-line with our de-risking strategy.

Since joining Piraeus Bank in mid-April 2017, we have been working intensively towards the implementation of our new strategic plan, which will enable us to transform Piraeus into one of the best commercial and retail banks in the region, with a strong balance sheet, able to deliver sustainable financial results in the medium-term, in line with our financial goals."

Christos Megalou, Chief Executive Officer







#### H1.2017 P&L Highlights: 14% Increase in Pre Provision Income y-o-y

#### Core income lines

Net interest and net fee and commission income, which constitute the core sources of income and represent c.90% of total net income, amounted to €518mn in Q2, at the same level as in Q1 (€517mn). For H1, net interest income and net fees reached €1,036mn, comprising 92% of total net income. In Greece, net interest and fee and commission income amounted to €956mn in H1.

#### NII & NIM

Net interest income amounted to €436mn in Q2, flat vs. Q1.2017, positively affected by the ongoing improvement from the funding cost, which was however offset by asset deleveraging and NPL restructuring efforts. Net interest income was slightly lower y-o-y for both Group and domestic operations. In Greece, the de-escalation of time deposit cost continued further: new time deposits cost reached 61bps in Jun.2017, down 4bps from year-end 2016, while the decreasing ELA reliance is also positive. The Group's net interest margin (NIM) marked a marginal increase in Q2 at the level of 271bps vs. 270bps in previous quarter, with Greece recording similar slight improvement (271bps in Q2 from 270bps in Q1).

# Net fee & commission income

Net fee and commission income stood at €82mn in Q2, up 2% q-o-q and at €162mn in H1, up 7% on an annual basis. In Greece, net fee and commission income reached €148mn in H1, posting an increase of 7% on an annual basis, driven by higher fees mainly from cards acquiring, payments and money transfers. The Group's net fee and commission income as a percentage of total assets stood higher in Q2 at 51bps from 50bps in Q1, while similar trend was also evident in Greek operations (50bps in Q2 from 49bps in Q1).

# **Operating** expenses

Operating expenses stood at €292mn, 5% lower compared to Q2 last year, as a result of a decrease mainly from administrative expenses (-8%) but also from staff costs (-3%). Administrative expenses decrease relates with further branch closures, digitalization initiatives, lower advertising and overall cost cutting efforts. Staff costs were down y-o-y mainly on the back of the voluntary exit scheme program that took place in late 2016. The cost to income ratio for H1 eased to 51% (50% in Q2) from 56% a year ago, while in Greece the ratio was at 49% in H1 (47% in Q2) from 54% in H1 last year.

# Pre provision income

Pre provision income (PPI) in Q2 rose to €292mn up 16% vs. €252mn in Q2 last year, on the back of 4% increase in net income and 5% decrease of operating expenses for Q2 y-o-y. In Greece, PPI reached €290mn vs. €242mn in Q2.2016, posting an increase of 20%. In H1, Group PPI recorded an increase of 14% to €549mn and Greek PPI was up 17% to €534mn.

# Loan impairment

Loan impairment charges amounted to €259mn in Q2 against an equivalent amount in Q1, with NPL coverage ratio stable at 68%. The uncertainty in the external environment at the first half of the year and the clean-up of legacy issues in our PLU did not allow the decrease of the cost of risk, which stood at 223bps over net loans in Q2 at Group level from 220bps in

#### Net result

Net result from continuing operations attributable to shareholders was at break-even, with slightly positive result of €7mn for Q2 compared to a marginal loss of €7mn in Q1. Similarly, in Greece net results of €14mn were recorded in Q2 vs. a loss of €13mn in Q1. Discontinued operations in H1, including mainly Piraeus Bank Beograd and AVIS Greece, were loss making by €75mn.

Note: as of Q1,2017 the operations of two domestic subsidiaries, namely Olympic SA (AVIS Greece) and Imithea SA (H.Dunant hospital) were recorded as discontinued. On top, as of Q2.2017 the Bank's operations in Serbia (Piraeus Bank Beograd and the local leasing subsidiary) have been also classified as discontinued. All P&L figures mentioned for 2016 and H1.2017 have been restated accordingly.





#### Balance Sheet Highlights: 7th Consecutive Quarter of Drop for NPL | NPE Stock

# Customer deposits

Customer deposits reached €40.9bn at the end of Jun.2017, lower by €1.4bn vs. Dec.2016 (-3%), mainly from outflows in Greece, following a similar trend of the domestic market as at the same period of 2016. As of Jun.2017 and onwards, this has reversed following the conclusion of the 2nd review of the Greek economic adjustment programme, resulting in positive movement for Q2 overall. Deposits in Greece amounted to €38.2bn (+€150mn q-o-q), while international deposits reached €2.7bn at the end of Q2. The positive trend since Jun.2017 continues in Q3 so far as deposits are further up by more than €300mn due to the improvement in consumer sentiment.

# Eurosystem funding

Eurosystem funding almost halved in the last 12 months dropping to €15.8bn at the end of Jun.2017 from €26.8 bn a year ago and from €20.9bn at the end of 2016. Eurosystem funding decreased by €5.1bn in H1. In particular, ELA funding dropped to €10.3bn at the end of Jun.2017 from €11.9bn at the end of 2016, while ECB to €5.5bn from €9.0bn respectively. ELA use has dropped further in Q3 to €8.5bn in late August. Interbank repo balances stood at €5.2bn in Jun.2017 vs. €6.0bn at the end of 2016, reflecting the lower EFSF/ESM bond holdings due to the ongoing exchange in the framework of Short Term measures for Greek Public Debt relief: from €13.2bn holdings in Dec.2016 EFSF/ESM bonds were down to €8.5bn at the end of Jun.2017.

#### Gross loans

Gross loans amounted to €62.0bn at the end of Jun.2017, while net loans amounted to €46.4bn respectively. Gross loans in Greece stood at €58.9bn, while gross loans from international operations amounted to €3.1bn. The net loans to deposits ratio improved to 113% from 126% a year ago and 116% at the end of Q1.

#### CET-1 ratio

The Common Equity Tier 1 ratio of the Group was 16.9% at the end of Jun.2017. The fully loaded CET-1 ratio stood at 16.5%. Both ratios are pro-forma for the disposals of Piraeus Bank Beograd and AVIS Greece, while are slightly higher on a quarterly basis by 10bps and 20bps respectively. At the end of Jun.2017, total equity amounted to €9.7bn, while regulatory CET-1 capital was at €8.8bn.

# NPLs / NPEs & coverage

The loans in arrears over 90 days ratio dropped to 37.1% in Jun.2017 (37.0% in Greece) vs. 37.8% in Mar.2017 for both Group and Greece. The NPL stock decreased for the 7th consecutive quarter. The total reduction in the last 12 months has reached €2.9bn, bringing NPLs down to €23.0bn in Jun.2017. Group non-performing loans formation, after the increase noted in Q1, returned in negative territory, following the trend of the four quarters of 2016. The Group coverage ratio of loans in arrears over 90 days by cumulative provisions at the end of Jun. 2017 reached 68% from 67% a year ago. Non-performing exposures (NPEs) ratio at the end of Jun. 2017 was at 52%, with coverage by cumulative provisions at 45%. Piraeus met the SSM NPE target for another quarter in a row.

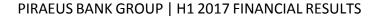
# Branch network

The branch network in Greece at the end of Jun. 2017 was at 639 units (reduced by 10 branches qo-q and 39 annually), while on a Group level it stood at 869 (-70 y-o-y). Thus, the Bank's Restructuring Plan target for 650 domestic branches by the end of 2017 has already been achieved.

#### **Employees**

The Group's headcount for continuing operations at the end of Jun. 2017 was 17,087 employees, of which 13,928 in Greece. The Restructuring Plan target for year-end 2017 calls for a reduction to 13,200 domestic FTEs in Greece, a goal for the achievement of which the Bank puts special effort via disposals of non-core activities and other related actions.







#### Agenda 2020: Strategy Enablers Highlights

# De-risk balance sheet

Separating Piraeus Bank Group into two operating pillars to maximise value arising from our core businesses, whilst focusing on realising value in legacy holdings. Accelerating the pace to meet restructuring plan commitments and clean-up of legacy issues

- "Piraeus Legacy Unit"(PLU) posted a net loss of €217mn in H1, reduced in RWA size by €1.0bn q-o-q
- For Piraeus Bank Group, NPL down €1.1bn q-o-q and NPEs down €0.7bn q-o-q. "Agenda 2020" targets set point to a level below €20bn for NPEs and below €10bn for NPLs in 2020.
- Disposal of AVIS Greece (SPA initiated/in the process of finalizing legal documentation)
- Disposal of Hellenic Seaways stake (SPA signed)
- Classification of Serbian operations as discontinued
- Launched process for disposal of Nireas-Selonda stakes (underway)
- First public open real estate e-auction process via Piraeus' new website www.properties4sale.gr completed in Jun.2017 with 2 more auctions scheduled in H2

#### Resize & focus

Conducting a disciplined review of all existing businesses, in order to maximise resources deployed in the areas that Piraeus has a historically dominant position

- Further rationalization of domestic branch network, -21 branches vs. Dec.2016 (639 in Greece Jun. 2017) to come down to below 620 by year-end 2017
- Additional optimization of FTEs in Greek operations, -179 employees vs. Dec.2016 (13,928 in Greece as of Jun.2017) to reach the level of 13,200 by year-end 2017 (actions underway)
- OpEx down 5% on a yearly basis while cost-to-income ratio for H1.17 eased to 51% down from 56% in H1 last year, moving towards the medium-term target set for <45% in 2020
- Migration of transactions to digital channels being a core driver to achieve further cost reduction with target for migration of 78% by end-2017 well on track (75% in Jun.17)

Profitable & sustainable business model

Implement a sustainably profitable business model, maintaining leading position in corporate, SME and agri financing, focusing on greater cross-selling opportunities, as well as fee-generative activities

- Core banking franchise "Piraeus Bank" net profit of €217mn in H1, achieving a return on assets of 110bps. NIM at 310bps, fees at 71bps over assets, a cost-to-income ratio of 52%.
- New loan generation slightly higher for corporate and SME book. During H1, outstanding balances from our large SME segment posted an increase (from €3.45bn in Dec.2016 to €3.51bn in Jun.2017 post many years of contraction)
- Further reduction of our ELA balance, -€1.6bn in H1 and -€3.4bn from the beginning of the year till late August, among main drivers to further improve NIM to >310bps by 2020
- Renewal of bancassurance agreement with NN Group for 10 years, with an option to be extended for another 5 years, to offer on an exclusive basis Life and Health products
- Customers increased to 5.1mn in Greece (+100k y-t-d), with cross selling ratio improved to 3.33x compared to end of 2016 (3.25x)

The Interim Financial Report for H1.2017 of Piraeus Bank Group will be posted on the corporate website (www.piraeusbankgroup.com) on 30 August 2017. The interim financial information of H1.2017, as well as the H1.2017 investor presentation, contain tables with references to the Alternative Performance Measures as per the European Securities & Markets Authority guidelines.





# Selected Figures of Piraeus Bank Group

Consolidated Data (amounts in €mn)	30.06.17	31.03.17	30.06.16	Δ q-o-q	∆ у-о-у
Selected Balance Sheet Figures <sup>1</sup>					
Assets	73,918	76,647	84,727	-4%	-13%
Deposits	40,918	40,960	38,817	0%	5%
Gross Loans	62,048	63,787	66,187	-3%	-6%
Cumulative Provisions	15,685	16,370	17,313	-4%	-9%
Total Equity	9,748	9,799	9,929	-1%	-2%
Selected P&L Results <sup>2</sup>	Q2 2017	Q1 2017	Q2 2016	Δ q-o-q	Δ у-о-у
Net Interest Income	436	437	451	0%	-3%
Net Fees & Commission Income	82	81	79	2%	4%
Net Trading & Inv. Securities Income	28	32	110	-11%	-74%
Other Operating income <sup>3</sup> & Dividend Income	37	-2	-2	-	-
One-off item <sup>4</sup>	-	-	77	-	-
Net Income	584	547	638	7%	-8%
-excl. one-off item	584	547	561	7%	4%
Staff costs	(143)	(142)	(148)	1%	-3%
Administrative Expenses	(123)	(121)	(135)	2%	-8%
Depreciation & Other Expenses	(25)	(26)	(26)	-4%	-4%
Total Operating Costs	(292)	(290)	(309)	1%	-5%
Pre Provision Income	292	257	329	13%	-11%
-excl. one-off item	292	257	252	13%	16%
Impairment Losses on Loans	(259)	(259)	(235)	0%	10%
Impairment Losses on Other Assets <sup>3</sup>	(18)	(11)	(32)	64%	-42%
Associates' Results	(19)	(7)	(24)	>100%	-20%
Pre Tax Result	(5)	(20)	38	-	-
Income Tax	10	13	-18	-	-
Net Result Attrib. to SHs Cont. Operations	7	(7)	21	-	-
Non Controlling Interest Cont. Operations	-1	0	-1	-	-
Net Result from Discontinued Operations	(74)	(1)	(17)		

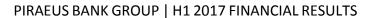
<sup>(1)</sup> June 2017 deposits, gross loans and cumulative provisions exclude the Group's Serbian business following its classification as discontinued operation (Piraeus Bank Beograd and Piraeus Leasing Doo Beograd).



<sup>(2)</sup> P&L figures for Q1 2017 and Q2 2016 have been restated for the classification of the Group's operations in Serbia as discontinued

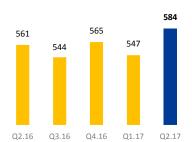
<sup>(3)</sup> An amount of €69mn was transferred from "impairment losses on other assets" to "other operating income" in the table in Q2.17.

<sup>(4)</sup> One-off item relates with the extraordinary financial gain of €77mn in H1.2016 from the sale of Visa Europe stake. In all comparisons in the press release for net income and pre provision income for Group and domestic operations, this item is excluded.



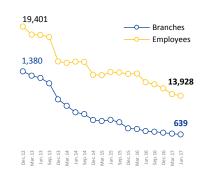


#### Net Income (€mn)



\*recurring data, please refer to page 5 for definition  $\,$ 

#### **Employees & Branches in Greece (#)**



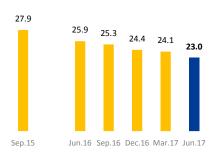
#### **Customer Deposits in Greece (€bn)**



#### **Eurosystem Funding (€bn)**

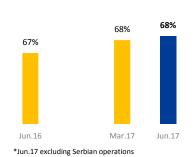


#### NPL Stock (€bn)

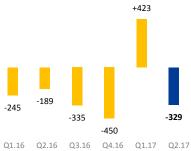


\*Jun.17 excluding Serbian operations

#### **NPLs Coverage Ratio (%)**

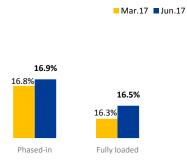


# **NPL Formation (€mn)**



<sup>\*</sup>Jun.17 excluding Serbian operations

#### **CET-1 Ratio**



\*Jun.17 pro-forma for the disposal of AVIS Greece & Serbian business





# ESMA ALTERNATIVE PERFORMANCE MEASURES (APM) AT GROUP LEVEL

#	Performance Measure	Definition
1	PPA adjustment	PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] amounting to €8.1bn
2	Gross Loans before Impairments & Adjustments	Loans and advances to customers before allowances for impairments on loan losses gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] amounting to €8.1bn
3	Net Loans	Loans and advances to customers gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] amounting to €8.1bn
4	Net Loans to Deposits Ratio	Net loans over deposits due to customers
5	Core Income	Net interest income plus net fee and commission income
6	Net Income	Total net income excluding the extraordinary financial gain of €77mn from the disposal of Visa  Europe when reference is made to H1.2016. There has been no adjustments to Net Income for  H1.2017
7	Pre Provision Income	Total net income excluding the extraordinary financial gain of €77mn from the sale of Visa  Europe when reference is made to H1.2016 less total operating expenses before provisions.  There has been no adjustments to Net Income for H1.2017 and hence the H1.2017 amount corresponds to "Profit before provisions, impairments and income tax"
8	Cost to Income Ratio	Total operating expenses before provisions over total net income excluding the extraordinary financial gain of €77mn from the disposal of Visa Europe when reference is made to H1.2016.  For H1.2017 the ratio is total operating expenses before provisions over total net income
9	CET1 Capital Ratio on Pro-forma Basis	CET1 capital ratio taking into account RWA relief for the anticipated disposals of AVIS Greece and Piraeus Bank Beograd and its local leasing subsidiary
10	Adjusted total assets	Total assets excluding assets of discontinued operations amounting to €965.9mn and EFSF/ESM bonds amounting to €8,504.3mn
11	Net Interest Margin (NIM)	Net interest income over adjusted total assets.
12	Net Fee Income over Assets	Net fee and commission income over adjusted total assets
13	NPLs - Non Performing Loans	Loans and advances to customers in arrears over 90 days past due gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.]
14	NPEs - Non Performing Exposures	On and off balance sheet credit exposures before allowances for impairments on loan losses gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] that are:  (a) past due over 90 days; (b) impaired or those which the debtor is deemed as unlikely to repay its obligations in full without liquidating collateral, regardless of the existence of any past due amount or the number of past due days; (c) forborne and still within the probation period under EBA rules; (d) subject to contagion from (a) under EBA rules
15	NPL Ratio	Non-performing loans over Gross Loans before Impairments & Adjustments
16	NPE Ratio	Non-performing exposure over Gross loans before impairments & Adjustments (including off balance sheet exposure before allowances for loan losses)
17	NPL Coverage Ratio	Allowances for impairment on loan losses gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] over Non-Performing Loans



# PIRAEUS BANK GROUP | H1 2017 FINANCIAL RESULTS

18	NPE Coverage Ratio	Allowances for impairment on loan losses gross of PPA adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] over Non-Performing Exposures
19	NPL Formation	Change of the stock of adjusted NPLs adding back write-downs or other adjustments i.e. loan sales or debt to equity transactions over loans and advances to customers before allowances for impairment on loan losses
20	Cost of Risk	Allowances for impairment of loan losses over net loans
21	Return on Assets	Profit / (loss) for the period over adjusted total assets
22	Net results	Profit / (loss) for the period attributable to equity holders of the parent
23	Cumulative provisions	Allowance for impairment on loans and advances to customers gross of PPA adjustment
24	Operating expenses	Total operating expenses before provisions
25	Loan impairment charges	Impairment losses on loans and advances to customers
26	Pre Tax Results	Profit / (loss) before income tax
27	New Loan Generation	New loan disbursements that were realized after previous end period
28	Customers	Number of customers both individuals and legal entities with a banking relationship (account) with Piraeus Bank
29	Cross Selling Ratio	Total product groups over total number of customers