Q2.2018: Recurring Pre-Provision Income at €224mn, +8% qoq, and €24mn Net Profit from Continuing Operations

Further Cleaning-up and Strengthening of the Group's Balance Sheet

- NPE deleverage process accelerated, with €3.5bn NPE decrease in H1
- Two NPE Portfolio Sales of €1.8bn aggregated gross book value in Q2
- NPE Cash Coverage ratio at 49%, NPL Cash Coverage at 81%
- Finalised IFRS9 FTA impact to €2.0bn
- Conclusion of international divestments of the 2015-2018 Restructuring Plan

Improving Liquidity Profile and Funding Mix

- Elimination of ELA Funding in mid-July 2018
- Interbank Repo more than doubled y-t-d to €3.3bn at the end of H1
- Deposits in Greece up by €1.0bn in H1 at €41.9bn
- Net Loan to Deposit Ratio of 92% in Greece vs. 115% a year ago
- €4bn Covered Bonds receive Investment Grade rating (BBB low), widening the Bank's ECB eligible collateral pool

Cost Efficiency and Lower Cost of Risk

- NIM at 246bps and NFI over Assets at 53bps in Q2, both improved qoq
- Operating Costs down 4% yoy, with Cost-to-Income at 54% (recurring data for H1)
- Cost of Risk at 158bps in H1.18 vs. 233bps in H1.17
- Profitable Q2 from Continuing Operations, with €24mn Net Profit (€39mn in H1 from recurring operations)

Capital Position

- Reported CET-1 ratio at 13.6% in June 2018
- Pro-forma CET-1 ratio at 14.0% in June 2018, adjusted for the RWA relief from the 2 NPE Portfolio Sales and the upcoming disposals of Bulgaria and Albania
- Ongoing implementation of the 2018 Capital Enhancement Plan

Management Statement

"With the completion of the ESM Programme, Greece has made a landmark step towards the return to normality, a starting point for sustainable growth. During the past 15 months, the economic environment in Greece has improved, leading to credit rating upgrades for the Greek Sovereign and enabling the prospects of the Greek financial sector.

In this environment, Piraeus Bank continued its progress. Firstly, profitability is being restored gradually, with €24mn recurring net profit from continuing operations in Q2 (€39mn in H1). Importantly, Piraeus Core Bank has accumulated recurring net profit of €206mn in H1, achieving a RoA of 1.1%. Secondly, our liquidity profile has been improving every single quarter for almost two years now; ELA funding was reduced materially during the course of Q2 and has been eliminated since mid-July despite the recent lifting of the ECB waiver for Greek State bonds. We are also pleased to report that our covered bonds have now received an investment grade rating and will thus qualify as eligible ECB collateral. Thirdly, among the Bank's new management team's key objectives has been to strengthen the Group's balance sheet. As a result, we have booked €3.5bn of provisions in the past 3 quarters including the IFRS9 FTA impact, we have accelerated the NPE reduction process with €4.4bn NPE decrease in the same period and we increased the NPE cash coverage ratio to 49%, up by 3ppts yoy.

The actions already taken by management, along with the ongoing recoverability/restructuring actions and strengthening of internal controls and governance, post the conclusion of the 2018 capital enhancement plan, address supervisory expectations and input from supervisory reviews that took place in the last 12 months, either through Credit File Reviews (performed on a loan portfolio of €13.5bn) or reviews of collective provisions (performed on a loan portfolio of €39.2bn).

Many actions of the 2018 capital enhancement plan have already been completed. We are actively seek to manage our assets in the most efficient way, in order to reduce balance sheet risk and improve sustainable returns. On the other hand, we remain cost conscious and we are committed in executing our cost efficiency programme, which should bear 3-year savings of c.€200mn by end-2020 (actions for €86mn already taken).

We are fully engaged in the effort to further strengthen the Greek economy by increasing new loan generation to €3.1bn in 2018 from €2.7bn in 2017, with H1.2018 production in line with target set.

H1 results point to Piraeus' effort to decisively deal with legacy issues. We remain committed in reaching our goals and turning around the Bank, creating value for our shareholders."

Christos Megalou, Chief Executive Officer

P&L Highlights: Gradually Restoring Profitability

Core income performance

Net interest plus net fee and commission income constitute the core sources of income and represented 93% of total revenues for the Group in H1.2018. Core income amounted to €848mn down 14% yoy in H1.2018, as it was impacted by the sizeable provisioning that occurred in Q4.2017 (€1.2bn) and the first time adoption of the IFRS9 accounting policy for loan exposures in stage 3 (€1.3bn). On a quarterly basis, core banking income remained flattish at €424mn.

NII impacted by IFRS9

NII stood at €699mn in H1.2018, -16% yoy, with reduction mainly attributed to lower accruing balances and deleveraging impact, while quarterly performance was flattish (€349mn in Q2.2018). The de-escalation of time deposit cost continued: new time deposits rate stood at 62bps in June 2018, down from 69bps in March 2018, while the ongoing disengagement from ELA continued to contribute positively to NII (€17mn costs in H1.2018 versus €85mn in H1.2017). The net interest margin (NIM) improved in Q2.2018 and stood at 246bps vs. 235bps in Q1.2018.

NFI contribution

Net fee and commission income stood at €149mn in H1.2018, flat yoy. The Group's net fee and commission income as a percentage of total assets rose to 52bps in H1.2018 from 49bps in H1.2017.

Recurring operating expenses down 4% yoy

Group operating expenses on a recurring basis, i.e. without 2018 Voluntary Exit Costs impact, stood at €505mn in H1.2018, down 4% compared to the same period last year (€526mn). Staff costs on a recurring basis reduced by 10% yoy, excluding €145mn one-off costs for the VES and the staff costs related to employees who exited the Bank in H1.2018. Administrative expenses remained unchanged yoy, even though actions have been taken to crystallise meaningful decrease above 5% for FY.2018. Continuous cost cutting effort relates predominantly to further resources rationalisation, digitalisation initiatives, lower advertising expenses and overall efficiencies. The cost-to-income ratio for H1.2018 reached 54% on a recurring basis.

Pre provision income trend

Group H1.2018 pre provision income (PPI) on a recurring basis amounted to €430mn vs. €486mn in H1.2017 (-12% yoy), as the progress on cost reduction and the resilient contribution of the net fee and commission income line were more than outstripped by the decline in net interest income for reasons stated above.

Provision cost

Group loan impairment charges decreased to €312mn in H1.2018 against €522mn in H1.2017, following the increase in coverage levels in the past 3 quarters. The Q2.2018 loan provision expense stood at €149mn vs. €163mn in Q1.2018, excluding the positive impact attributed to the agreed sales of 2 NPEs portfolios (Amoeba & Arctos) in Q2. Including that, cost of risk in Q2.18 stood at €82mn. Cost of risk for Q2.2018 was at 151bps over net loans vs. 161bps in Q1.2018.

Positive net recurring result

Group's net result from continuing operations attributable to shareholders was €24mn in Q2.2018 vs. a loss of €79mn in Q1.2018 (or €15mn profit excluding €132mn VES cost post-tax). Similarly, in Greece net result of €43mn was recorded in Q2.2018, up from €28mn recurring profit in Q1.2018 (reported loss of €66mn). Discontinued operations in Q2.2018 were loss making by €310mn, with €139mn not affecting the Group's capital base (related with FX recycling from disposed subsidiaries in Romania and Serbia during Q2.2018).

Balance Sheet Highlights: Clean up of Legacy Assets, Strengthening of Balance Sheet and Improved Funding Profile

Customer deposits in Greece +10% yoy

Customer deposits amounted to €42.1bn at the end of June 2018. On a like-for-like basis (excluding Albania and Bulgaria), customer deposits increased by 1% qoq and 10% yoy. Piraeus Bank deposits in Greece amounted to €41.9bn (+10% yoy) at the end of June 2018, while respective deposit costs continued to decline.

Zero ELA reliance since mid-July

Eurosystem funding stood at €1.8bn at the end of June 2018 from €15.8bn a year ago. In particular, ELA funding was minimal (€0.3bn) at the end of H1 and has reduced to zero since mid-July. ELA funding was €10.3bn at the end of June 2017. ECB funding was reduced to €1.5bn at the end of June 2018 from €5.5bn a year ago. Interbank repo balances stood at €3.3bn at the end of June 2018 vs. €1.4bn at the end of December 2017. Interbank repos were mainly against non-ECB eligible collateral, reflecting EFSF bonds having dropped to zero as of Jan.2018 following the completion of the bond exchange scheme Greek banks participated in. Interbank repo balances stood at €3.8bn in late August 2018.

Gross loans at milder deleveraging

Gross loans before impairments and adjustments amounted to €53.7bn at the end of H1.2018, while net loans amounted to €39.4bn respectively. Gross loans were down €6.5bn since the beginning of the year, or by a mere €0.6bn adjusting for H1.2018 write-offs, NPE sales, the seasonal agri loan that has now been fully repaid and discontinued operations classification. Gross loans in Greece stood at €52.6bn at the end of H1.2018. The net loan-to-deposit ratio of Piraeus in Greece recorded improvement, landing at 92% in H1.2018 from 115% a year ago.

CET-1 ratio

The Common Equity Tier 1 (CET1) ratio of the Group as at 30 June 2018 was at 14.0% on a pro-forma basis, thus adjusted for the Risk Weighted Assets relief from the disposals of subsidiaries in Albania (signed SPA) and Bulgaria and the agreed sales of the 2 NPE loan portfolios (Amoeba and Arctos). The reported ratio stood at 13.6%.

NPEs down €3.5bn year-to-date in H1.2018

Total reduction of NPEs was €5.1bn yoy, bringing the stock down to €29.4bn at the end of Q2.2018. The NPE coverage by cumulative provisions ratio at the end of June 2018 was 49% from 45% a year ago, on the back of the increased provisioning in Q4.2017 and the IFRS9 FTA impact. The year-to-date change of NPEs totaled -€3.5bn and was a result of organic and inorganic actions. The Bank announced in May and July 2018 the signing of Sales and Purchase Agreements (SPA) for the disposal of 2 loan portfolios of €1.8bn aggregated gross book value, one comprising secured loans (Amoeba) and one unsecured (Arctos).

IFRS9 Adjustment

During the first 6 months of 2018, management has finalised the IFRS9 First Time Adoption (FTA) impact, and the initially estimated IFRS9 FTA impact as reported as of 31 March 2018 amounting to €1,620mn on a consolidated level has been increased by €350mn. As a result, the final IFRS9 FTA impact as of 1 January 2018 amounts to €1,969mn on a consolidated level.

Strengthening of Balance Sheet

Group cost of risk in Q4.2017 increased to €1.2bn reflecting management's best estimate regarding the recoverability of its loan portfolio. Additionally, to be compliant with the requirements of IFRS9, the Group assessed the IFRS9 FTA impact as of 1 January 2018 and recognised €2.0bn. In H1.2018, management, as part of the ongoing assessment of its loan portfolio, has recognised cost of risk of €0.3bn (excluding €67mn provision reversal from the sale of the 2 aforementioned NPEs portfolios). As a result, the Group has booked in total €3.5bn of provisions in the past 3 quarters including the IFRS9 FTA impact, accelerated the NPE reduction process, with €4.4bn NPE decrease in the same period and increased the NPE cash coverage ratio to 49%, up by 3ppts yoy.

Footprint & headcount

Piraeus Bank's branch network in Greece at 30 June 2018 constituted 574 units (reduced by 65 yoy), while currently stands at 566 units. On a Group level, the number of branches stood at 594. The Group's headcount for continuing operations was 12,858 employees, of which 12,390 are in Greece (reduced by 864 employees in H1.2018). Piraeus launched a Voluntary Exit Scheme (VES) in early 2018, with c.1,200 employees participated. It is expected that c.€47mn of recurring cost savings will be fully phased in annually, as a result of the VES, to start being crystallised in the following quarters.

Selected Figures of Piraeus Bank Group

Consolidated Data (amounts in €mn)	30.06.17	31.03.18	30.06.18	Δ qoq	Δ yoy
Selected Balance Sheet Figures [1]					
Assets	**73,918**	**63,559**	**59,222**	**-6.8%**	**-19.9%**
Deposits	**40,918**	**43,151**	**42,102**	**-2.4%**	**2.9%**
Gross Loans before Adjustments	**62,048**	**57,702**	**53,749**	**-6.9%**	**-13.4%**
Cumulative Provisions	**15,685**	**16,344**	**14,368**	**-12.1%**	**-8.4%**
Total Equity	**9,748**	**7,842**	**7,347**	**-6.3%**	**-24.6%**
Selected P&L Results [2]	Q2 2017	Q1 2018	Q2 2018	Δ qoq	Δ yoy
Net Interest Income	413	350	349	-0.4%	-15.5%
Net Fees & Commission Income	76	74	75	0.5%	-2.3%
Net Trading & Inv. Securities Income	30	13	17	25.7%	-45.6%
Other Operating income & Dividend Income	39	12	20	61.1%	-49.1%
Net Income	559	450	460	2.2%	-17.7%
-excl. one-off items [3]	513	450	484	7.6%	-5.7%
Staff costs	(133)	(259)	(125)	-51.8%	-5.6%
-excl. one-off items [3]	(133)	(117)	(122)	3.5%	-8.3%
Administrative Expenses	(105)	(100)	(114)	14.9%	8.4%
Depreciation & Other Expenses	(23)	(27)	(25)	-7.4%	8.3%
Total Operating Costs	(261)	(386)	(264)	-31.5%	1.3%
-excl. one-off items [3]	(261)	(244)	(261)	6.9%	-0.1%
Pre Provision Income	298	64	196	-	-34.2%
-excl. one-off items [3]	252	206	224	8.4%	-11.4%
Impairment Losses on Loans [4]	(264)	(163)	(149)	-8.8%	-43.7%
Impairment Losses on Other Assets [4]	(16)	(8)	20	-	-
Associates' Results	(19)	(8)	(16)	88.9%	-18.6%
Pre Tax Result	(2)	(115)	51	-	-
Income Tax	10	35	(29)	-	-
Net Result Attrib. to SHs Cont. Operations	10	(79)	24	-	-
Non-Controlling Interest Cont. Operations	(1)	(1)	(2)	-	-
Net Result from Discontinued Operations	(77)	(3)	(310)	-	-

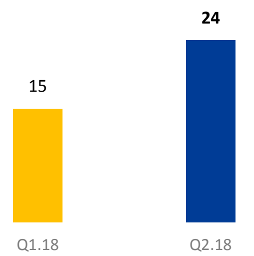
(1) The Jun.17 deposits, gross loans and cumulative provisions exclude operations in Serbia, which as of Q2.2017 were classified as discontinued. The Mar.18 deposits, gross loans and cumulative provisions exclude operations in Romania, which as of Q4.2017 were classified as discontinued. The Jun.18 deposits, gross loans and cumulative provisions exclude operations in Bulgaria and Albania, which as of Q2.2018 were classified as discontinued. Assets are adjusted for the disposal of Avis concluded in Q1.18 and Serbia, Romania in Q2.18. The Mar.18 and Jun.18 cumulative provisions include IFRS9 FTA impact

(2) P&L figures exclude the Group's discontinued operations

(3) For Q2.2017, €45mn were flagged as one-off, stemming from the net effect of the PICAR investment property/ finance lease obligation remeasurement. For Q2.2018, €24mn loss in other income was flagged as one-off. In addition, VES and other extraordinary staff costs of €142mn and €4mn were classified as one-off items in Q1.18 and Q2.18 respectively.

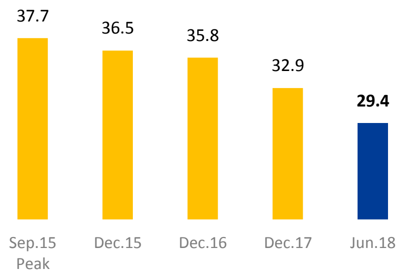
(4) Reversal of loan impairment of €67mn from sale of 2 NPE portfolios included in impairment losses on other assets

Group Net Result Attr. to SHs (continuing operations) (€mn)

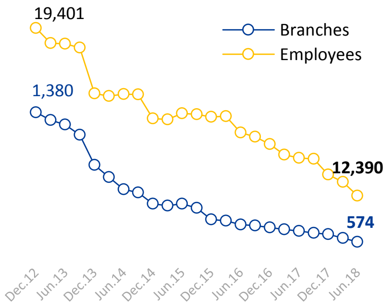


*recurring data, excluding €132mn VES cost for Q1.18

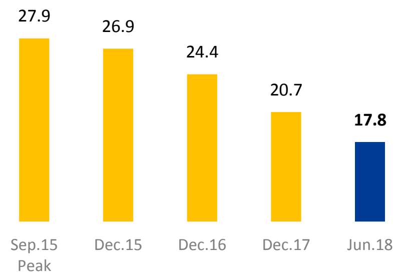
Group NPE Stock (€bn)



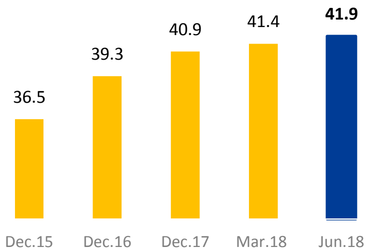
Employees & Branches in Greece (#)



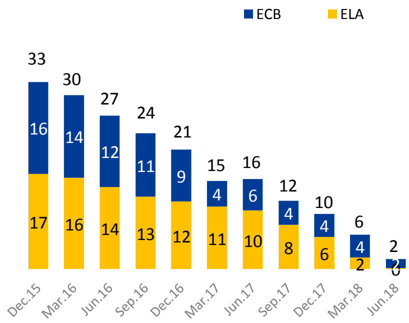
Group NPL Stock (€bn)



Customer Deposits in Greece (€bn)



Eurosystem Funding (€bn)



ALTERNATIVE PERFORMANCE MEASURES (APM) AT GROUP LEVEL

#	Performance Measure	Definition
1	**NII**	Net Interest Income
2	**NFI**	Net Fee and Commission Income
3	**DTAs**	Deferred Tax Assets
4	**PPA Adjustment**	Purchase price allocation (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 €4.6bn at the end of H1.2018 and to €5.8bn at the end of 2017, ("PPA adjustment")
5	**Adjusted Total Assets**	Total assets excluding assets of discontinued operations and two NPE sales (Amoeba and Arctos) amounting to €2.6bn in June 2018 and assets of discontinued operations amounting to €1.8bn in March 2018 and €1.0bn in June 2017 respectively.
6	**Gross Loans before Impairments & Adjustments**	Loans and advances to customers before allowances for impairments on loan losses gross of PPA adjustments
7	**Net Loans**	Loans and advances to customers
8	**Net Loans to Deposits Ratio**	Net loans over deposits due to customers
9	**Core Banking Income or NII+NFI**	Net interest income plus net fee and commission income
10	**Net Interest Margin (NIM)**	Net Interest Income over adjusted total assets
11	**Net Fee Income over Assets**	Net Fee and Commission Income over adjusted total assets
12	**One-off Items**	In Q2.2017, €45mn of other income relating to the net effect of remeasurement of the present value of a finance lease obligation of Picar S.A off-set by the loss on the remeasurement of the City Link investment property at fair value was classified as one-off, "(Picar One-Off").In Q2.2018, €24mn loss in other income was flagged as one-off. In Q1.2018, €142mn of Voluntary Exit Scheme ("VES") staff costs and in Q2.2018, €4mn of Voluntary Exit Scheme and other extraordinary staff costs were classified as one-off, ("VES One-Off")
13	**Pre Provision Income (PPI)**	Total net income less total operating expenses excluding one-off items. The relevant amounts corresponds to "Profit before provisions, impairments and income tax" excluding the one-off items
14	**Cost to Income Ratio**	Total operating expenses before provisions over total net income excluding €45mn PICAR One-Off when reference is made to Q2.2017. For the current reporting period the ratio is total operating expenses before provisions over total net income. For operating expenses, VES One-Off of €142mn and €4mn are classified as one-off items in Q1.2018 and Q2.2018 respectively
15	**CET1 Capital Ratio on Pro-forma Basis**	CET1 capital ratio taking into account RWA relief for the divestments of Piraeus Bank Bulgaria and Albania and two NPE sales (Amoeba and Arctos)
16	**NPLs - Non Performing Loans**	Loans and advances to customers in arrears over 90 days past due gross of PPA adjustments
17	NPEs - Non Performing Exposures	On balance sheet credit exposures before allowances for impairments on loan losses gross of PPA adjustments 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
18	**NPL Ratio**	Non-performing loans over Gross Loans before Impairments & Adjustments
19	**NPE Ratio**	Non-performing exposure over Gross loans before impairments & Adjustments
20	**NPL (Cash) Coverage Ratio**	Allowances for impairment on loan losses gross of PPA adjustments over NPLs

#	Performance Measure	Definition
21	**NPE (Cash) Coverage Ratio**	Allowances for impairment on loan losses gross of PPA adjustments over NPEs
22	**Cost of Risk (CoR)**	Allowances for impairment on loans and advances to customers over net loans
23	**Return on Assets**	Profit / (loss) for the period over adjusted total assets
24	**Net Results or Net Profit**	Profit / (loss) for the period attributable to equity holders of the parent
25	**Cumulative Provisions**	Allowance for impairment on loans and advances to customers gross of PPA adjustment
26	**Operating Expenses (OpEx)**	Total operating expenses before provisions
27	**Loan Impairment Charges**	Impairment losses on loans and advances to customers
28	**Pre Tax Results**	Profit / (loss) before income tax