Q3.2018: €253mn Pre-Provision Income, €94mn Shareholder Net Profit, Significant Step Forward in Restoring Profitability

Sizeable Balance Sheet Repair, Considerable Interest in Portfolio Sales

- Significant NPE reduction over the past year (-€5.2bn)
- Decreasing trend for both defaults and redefaults
- Completion of two NPE portfolio sales of €1.8bn aggregated gross book value
- Two new NPE sales projects under way of €1.7bn gross book value
- High cash coverage of NPLs at 79%, NPE cash coverage ratio at 49% [while adding collateral total coverage is c.100%]
- Conclusion of international divestments in line with the 2015 Restructuring Plan
- NPE target for YE2021 is set at €13bn, reflecting a decrease of €14bn vs Sep.2018 level

Enhanced Liquidity Profile and Funding Mix, Underpins Healthy Loan Growth

- Deposits in Greece up by €3.6bn yoy. Positive trend continues in Q4-to-date with an additional €0.3bn increase.
- Zero ELA reliance since mid-July 2018
- Gradual shift of covered bonds to zero cost ECB funding from interbank repo utilisation
- Net loan to deposit ratio down to 90% in Greece vs. 111% a year ago

Restoring Profitability, Driven by Cost Efficiency and Cost of Risk Normalization

- Net SHs profit from continuing operations at €94mn in Q3.2018, from €24mn in Q2.2018
- PPI at €253mn vs. €196mn in Q2.2018
- New loan disbursements of €2.0bn in 9M.2018 at 5.0% customer rate
- Operating costs down 6% yoy in 9M.2018, on a recurring base
- Cost of risk at 158bps in 9M.2018 vs. 252bps in 9M.2017

Significant Progress in Executing Capital Enhancement Plan

- 85% of the internal capital generating actions, have been concluded
- Reported CET-1 ratio at 13.7% in Sep.2018, up by c.20bps qoq. Pro-forma CET-1 ratio at 14.2%, adjusted for the RWA relief from the 2 NPE portfolio sales concluded in Oct.2018 and the upcoming agreed disposals of Albanian and Bulgarian operations

Management Statement

" This has been a significant quarter for Piraeus Bank. We have continued the upward trend in the Group's profitability, with €94mn of net profit from continuing operations added in Q3.2018. This performance has been achieved despite the turbulent European financial markets over the past few months.

Over the past year we have decreased NPEs by €5.2bn, meeting our targets, while in parallel we have improved the NPE coverage ratio to 49%. In recent weeks, the Ministry of Finance/HFSF and the Bank of Greece have unveiled two proposals to further address Greek banks' high NPEs. Although at a preliminary stage, both plans could contribute to a systemic solution to the NPE issue.

Piraeus Bank has achieved meaningful progress in improving its liquidity and funding profile. Domestic deposit inflows amounted to €3.6bn yoy at the end of September 2018 and positive trends continue into Q4.2018 with additional inflows of €0.3bn quarter to date. ELA has been fully eliminated and at the same time we have started replacing the interbank repo financing with ECB main operations refinancing, through the utilisation of our covered bonds pool, following receipt of ECB eligibility status in late Q3.2018, thus supporting NII.

The Group's Capital Enhancement Plan is progressing well, with 85% of non dilutive capital generating actions already concluded. The Common Equity Tier 1 (CET1) ratio of the Group as at 30 September 2018 was at 14.2% on a pro-forma basis, adjusted for the Risk Weighted Assets relief from the disposals of subsidiaries in Albania and Bulgaria and the sales of the two NPE loan portfolios completed in October (Amoeba and Arctos).

Taking strength from our asset quality track record, we feel confident that we can deliver the commitments of our new NPE operational targets plan, which calls for a €14bn reduction in NPEs to €13bn by the end of 2021. We are working relentlessly towards the implementation of our plan, delivering on our commitments and operational targets, while accelerating the repair of our balance sheet. For the full year 2018, we are dedicated to achieving our NPE goals, and we are targeting a positive bottom-line result."

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 95% of total revenues for the Group in Q3.2018. Core income amounted to €475mn in Q3.2018 up 12% on a quarterly basis, mainly driven by the the higher contribution of fee and commission income. The Group's core income for the 9M.2018 amounted to €1,324mn.

Resilient NII despite the pressure on a quarterly basis

NII stood at €346mn in Q3.2018, almost flattish (-1%) versus Q2.2018. The pressure on NII emerged with the deleveraging and intensified with the first time adoption of IFRS9 in the beginning of 2018 and the standards for loan exposures in stage 3 (€1.3bn) resulting to lower accruing balances. The de-escalation of time deposit cost continued to contribute in offsetting the pressure: new time deposits rate stood at 62bps in Q3.2018, down from 65bps in Q2.2018, while the disengagement from ELA continued to contribute positively to NII (€18mn costs in 9M.2018 versus €120mn in 9M.2017). The net interest margin (NIM) in Q3.2018 stood at 243bps vs. 246bps in Q2.2018. For the 9M.2018, NII amounted to €1,045mn reflecting a NIM of 245 bps.

NFI contribution increases

Net fee and commission income rose 8% yoy to €130mn in Q3.2018 and 74% qoq. The increase incorporates a €48mn extraordinary quality commission for past performance in our cooperation for general insurance business with an international partner. Fees have also improved on the back of an increased contribution from credit cards and money transfers. The Group's net fee and commission income on a recurring basis as a percentage of total assets rose to 57bps in Q3.2018 from 53 bps in Q2.2018. In 9M.2018 net fee and commission income was €278mn.

Operating expenses down 6% yoy

Group operating expenses stood at €249mn in Q3.2018 down 6% both on a quartely and a yoy basis which can be attributed to both staff and administrative costs containment. In 9M.2018 operating expenses on a recurring basis, i.e. without the 2018 Voluntary Exit Scheme costs impact, dropped 6% versus 9M.2017 (€745mn vs €789mn). Staff costs in 9M.2018 were down 11% yoy on a recurring basis. During the same period, administrative expenses were reduced 2% yoy, however actions have already been taken to achieve a 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 stood at 54% on a recurring basis for Q3 and 9M.2018.

Pre provision income trend

Group Pre Provision Income (PPI) amounted to €253mn in Q3.2018 posting a 29% increase qoq mostly on the extraordinary quality commission on general insurance. On a recurring basis, PPI was €210mn, -7% qoq in Q3.2018. as the decline in net interest income more than outstripped progress on cost reduction and the increasing contribution of the net fee and commission income. In 9M.2018 Group recurring PPI reached €643mn.

Provision cost normalized

The Q3.2018 loan provision expense stood at €149mn at the same level as in Q2.2018 if the latter is adjusted for the positive impact of the sales of 2 NPEs portfolios (Amoeba & Arctos). Cost of risk for Q3.2018 was at 153bps over net loans vs. 151bps in Q2.2018 and 281bps in Q3.2017. Group loan impairment charges decreased to €461mn in 9M.2018 from €832mn in 9M.2017 (-45% yoy).

Positive net result

Group's net result from continuing operations attributable to shareholders was €94mn in Q3.2018 vs. €24mn in Q2.2018. Even adjusting for the extraordinary quality commission, net results in Q3.2018 amounted to €46mn, almost doubling from Q2.2018. In Greece net result of €123mn was recorded in Q3.2018, up from €43mn in Q2.2018. Discontinued operations in Q3.2018 were loss making by €27mn, mainly resulting from the divestment in Piraeus Bank Bulgaria. In 9M.2018, the net result from continuing operations attributable to shareholders amounted to €40mn compared to a loss of €15mn the same period of 2017.

Balance Sheet Highlights: Strengthening of Balance Sheet and Improved Funding Profile

Customer deposits in Greece +10% yoy

Customer deposits amounted to €42.9bn at the end of Sep.2018. Piraeus Bank deposits in Greece amounted to €42.7bn at the end of Sep.2018, with +€3.6bn of inflows since September last year, signalling that confidence is gradually returning to the country's banking system, while deposit costs continued to decline in Q3.2018 to 42bps for the total book vs 45bps a year ago.

Improved liquidity and funding profile

Eurosystem funding stood at €2.0bn at the end of Sep.2018 from €12.0bn a year ago. In particular, ELA funding has been eliminated since mid-July, from €7.8bn at the end of Sep.2017. ECB funding increased to €2.0bn at the end of Sep.2018 from €1.5bn at the end of Jun.2018, as the Bank has started shifting interbank repo funding with funding from ECB's main refinancing operations at zero cost, utilizing its €4bn ECB eligible covered bond pool. Consequently interbank repo balances were reduced to €2.2bn at the end of Sep.2018 vs. €3.3bn at the end of Jun.2018.

Gross loans deleveraging decelerates

Gross loans before impairments and adjustments amounted to €52.8bn at the end of Sep.2018, while net loans amounted to €38.9bn respectively. Gross loans were down €7.5bn since the beginning of the year, or €0.9bn adjusting for write-offs, NPE sales, the seasonal agri loan that has now been fully repaid and discontinued operations classification. In the same period last year gross loans, adjusted for the aforementioned items, were down €1.6bn. Gross loans in Greece stood at €51.7bn at the end of Sep.2018. The net loan-to-deposit ratio of Piraeus in Greece recorded a substantial improvement, landing at 90% at the end on Sep.2018 from 111% a year ago. New loan disbursements reached €2.0bn in the 9M.2018 period.

CET-1 ratio

The Common Equity Tier 1 (CET1) ratio of the Group as at 30 Sep.2018 was at 14.2% on a pro-forma basis, adjusted for the Risk Weighted Assets relief from the disposals of subsidiaries in Albania and Bulgaria, the sale of the 2 NPE portfolios (Amoeba and Arctos) and other stakes disposal. The reported ratio stood at 13.7%. The Bank's Capital Enhancement Plan is progressing according to schedule with an execution rate of 85% as at 30 Sep.2018, strengthening further the Bank's capital base.

NPEs down €4.3bn year-to-date

Total reduction of NPEs was €5.2bn the last 12 months, bringing the stock down to €28.5bn at the end of Sept.2018. The respective NPE coverage by cumulative provisions ratio remained at the level of 49%. The year-to-date change of NPEs totaled -€4.3bn and was a result of both organic and inorganic effort. The Bank completed in early Q4.2018 the transactions related to the disposal of 2 NPE portfolios of €1.8bn aggregated gross book value, one comprising secured business loans (Amoeba) and the other unsecured consumer loans (Arctos). The Bank has already in the pipeline 2 new NPE sales projects, of €1.7bn aggregated gross book value.

NPE Operational Targets

Piraeus Bank submitted to SSM its NPE Operational Targets extending the covered period up to 2021. The NPE target for year end 2021 is set at €13bn, indicating a cumulative decrease of €14bn vs Sep.2018 comprising both organic and inorganic effort.

Footprint & headcount

Piraeus Bank's branch network in Greece at 30 Sep.2018 constituted 564 units (reduced by 64 yoy), while currently stands at 560 units. The Group's headcount for continuing operations was 12,733 employees, of which 12,262 are in Greece (reduced by 991 employees in 9M.2018). Piraeus launched a Voluntary Exit Scheme (VES) in early 2018, with c.1,200 employees participating. It is expected that c.€49mn of recurring cost savings will be fully phased in annually, as a result of the VES, which have already started being crystallised.

Selected Figures of Piraeus Bank Group

Consolidated Data (amounts in €mn)	30.09.18	30.06.18	30.09.17	Δ qoq	Δ yoy
Selected Balance Sheet Figures [1]					
Assets	**59,264**	**59,222**	**68,174**	0.1%	-13.1%
Deposits	**42,886**	**42,102**	**41,822**	1.9%	2.5%
Gross Loans before Adjustments	**52,788**	**53,749**	**61,035**	-1.8%	-13.5%
Cumulative Provisions	**13,917**	**14,368**	**15,372**	-3.1%	-9.5%
Total Equity	**7,401**	**7,347**	**9,724**	0.7%	-23.9%
Selected P&L Results [2]	Q3 2018	Q2 2018	Q3 2017	Δ qoq	Δ yoy
Net Interest Income	346	349	411	-0.9%	-15.9%
Net Fees & Commission Income	130	75	120	73.8%	8.2%
Net Trading & Inv. Securities Income	15	17	15	-11.9%	-4.3%
Other Operating Income & Dividend Income	11	20	8	-42.4%	37.3%
Net Income	**501**	**460**	**555**	9.0%	-9.6%
-excl. one-off items [3]	453	484	520	-6.4%	-12.7%
Staff costs	(117)	(125)	(128)	-6.1%	-8.4%
-excl. one-off items [3]	(112)	(120)	(128)	-6.2%	-12.3%
Administrative Expenses	(106)	(114)	(111)	-7.7%	-5.2%
Depreciation & Other Expenses	(26)	(25)	(24)	2.9%	8.0%
Total Operating Costs	(249)	(264)	(263)	-5.9%	-5.6%
-excl. one-off items [3]	(244)	(259)	(263)	-6.0%	-7.5%
Pre Provision Income	253	196	291	29.1%	-13.2%
-excl. one-off items [3]	210	225	256	-6.8%	-18.1%
Impairment Losses on Loans [4]	(149)	(149)	(310)	0.3%	-51.8%
Impairment Losses on Other Assets [4]	(4)	20	(7)	-	-32.1%
Associates' Results	11	(16)	4	-	-
Pre Tax Result	110	51	(21)	> 100%	-
Income Tax	(17)	(29)	2	-42.8%	-
Net Result Attrib. to SHs Cont. Operations	94	24	(18)	-	-
Non-Controlling Interest Cont. Operations	(1)	(2)	(1)	-	-
Net Result from Discontinued Operations	(27)	(310)	5	-	-

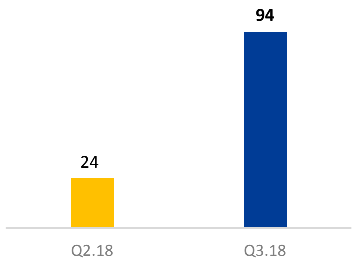
(1) The Sep.17 deposits, gross loans and cumulative provisions exclude operations in Serbia, which as of Q2.2017 were classified as discontinued. The Jun.18 and Sep.18 deposits, gross loans and cumulative provisions exclude operations in Bulgaria and Albania, which as of Q2.2018 were classified as discontinued. The Jun.18 cumulative provisions include IFRS9 FTA impact.

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

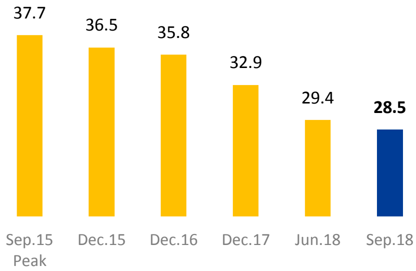
(3) In Q3.2017 a €35mn bancassurance persistency fee is excluded from Net Fee Income and in Q3.2018 a €48mn extraordinary quality commission for past performance for general insurance business. For Q2.2018, €24mn loss in other income was flagged as one-off. In addition, extraordinary staff costs of €5mn were classified as one-off items in Q2.18 and Q3.2018.

(4) Reversal of loan impairment of €67mn from sale of 2 NPE portfolios included in impairment losses on other assets in Q2.2018

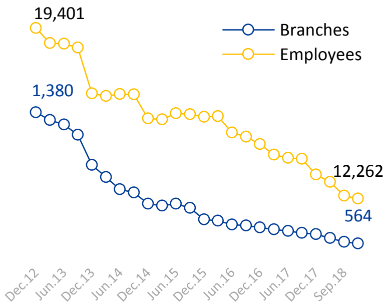
Group Net Result Attr. to SHs (continuing operations) (€mn)



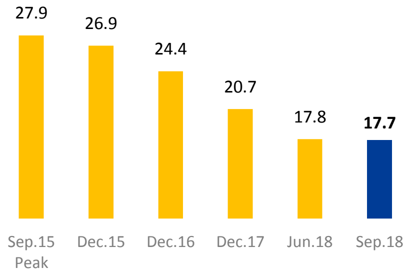
Group NPE Stock (€bn)



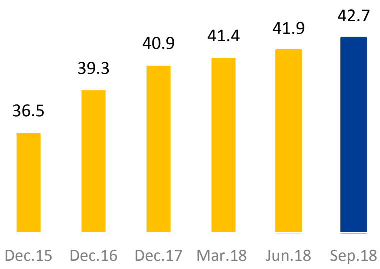
Employees & Branches in Greece (#)



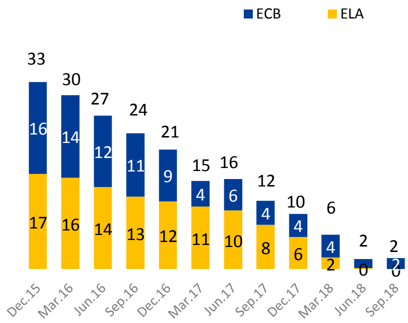
Group NPL Stock (€bn)



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 €4.0bn at the end of Q3.2018, €4.6bn at the end of Q2.2018, €5.8bn at the end of 2017.)
5	**Adjusted Total Assets**	Total assets excluding assets amounting to: 1) €2.3bn in September 2018 of discontinued operations in Albania and Bulgaria and two NPE sales (Amoeba and Arctos) 2) €2.5bn in June 2018 consisting of the same items 3) €3.8bn in March 2018 consisting of the same items plus discontinued operations in Romania
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 Q3.2017, €35mn of net fee income relating to a bancassurance persistency fee was classified as one-off. In Q2.2018, €24mn loss in other income was flagged as one-off. In Q1.2018, €143mn of Voluntary Exit Scheme ("VES") staff costs, in Q2.2018 and in Q3.2018, €5mn of Voluntary Exit Scheme and other extraordinary staff costs were classified as one-off, ("VES One-Off"). In Q3.2018, €48mn of net fee income relating to an extraordinary quality commission for past performance in our cooperation for general insurance business with an international partner was classified as 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 (Recurring)**	Total operating expenses before provisions over total net income excluding the one-off items related to the corresponding period, as per item #12
15	**CET1 Capital Ratio on Pro-forma Basis**	CET1 capital ratio taking into account RWA relief for the divestments of Piraeus Bank Bulgaria, Albania and other stakes, 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 and other unlikely to pay (UTP) criteria
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
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
29	**Net Revenues**	Total Net Income
30	**Deposits or Customers Deposits**	Due to Customers