



Accelerating Reduction of Troubled Portfolio Notable Improvement in Liquidity Profile Intensified Cost Efficiency Actions

Management Statement

“Following a period of uncertainty in the beginning of the year, the Greek economy is now back on track. The main indicators in key sectors of the economy are returning to positive territory and sentiment is improving. GDP growth is expected to comfortably surpass 1% this year and 2% in 2018, while the labour market has started to rebound, with unemployment down to approximately 20% from a peak of 28%. These developments are gradually feeding into the banking market.

In-line with our commitment to meet the NPEs targets agreed with our supervisory authorities, we outperformed market trends in both NPEs and NPLs reduction. In Q3 NPEs decreased by €0.7bn qoq and by €3.9bn from their peak in Sep.15. Pre write-off NPE formation was negative by -€0.3bn in Q3, the best quarterly performance for Piraeus to-date. NPLs decreased by €0.9bn qoq, down €5.8bn from the Sep.15 peak, reducing drastically the domestic NPL ratio from 40% to 36%. Pre write-off Q3.17 NPL formation was also negative by approximately -€0.5bn in Q3.

The positive trend in domestic customer deposits accelerated in Q3.17, with a quarterly increase of €0.9bn. ELA reliance decreased by €2.5bn in Q3.17 to €7.8bn, reduced further to below €6bn in late November, driven by additional deposit inflows and a more active interbank repo market. Piraeus’ ELA over assets and net loan-to-deposit ratios in Greece are both second best in the market.

Piraeus’ pre-provision income rose by 16% yoy in 9M.17 landing at €844mn, driven by a balanced 5% annual income growth and 5% cost reduction. The core sources of banking revenues, net interest and fee income, recorded a strong increase in Q3 of 5% versus the same period of last year. Our accelerated cost efficiency actions have driven cost-to-income ratio in Greece for 9M.17 to 48% from 54% in 9M.16. As we intensified our efforts to deal with legacy issues, provisions remained elevated, resulting in a marginal 9M.17 bottom-line loss for continuing operations of -€19mn.

At the end of Sep.17, the Group’s phased-in and fully-loaded CET-1 capital ratios, both increased qoq, for the 2nd consecutive quarter, to 17.0% and 16.6%, respectively.

The Bank’s transformation journey is progressing with speed and consistency. We are focused on the disciplined execution of our strategic plan, “Agenda 2020”, aiming at aggressive balance sheet de-risking and rapid normalisation. Our core banking franchise (“Piraeus Core Bank”) recorded a net profit of €311mn in 9M.17, and a return on assets of 1.1%, highlighting the strength and profitability potential of our business once the Group’s transformation is completed. “Piraeus Core Bank” delivered a solid set of metrics in 9M.17, including NIM of 309bps and fees over assets of 87bps. “Piraeus Legacy Unit” (“PLU”) continued to contract RWAs by €0.6bn qoq. In the past few months, we have accelerated the pace of our non-core assets disposal program and we are actively contemplating inorganic balance sheet normalisation initiatives, in-line with our de-risking strategy.

The Bank’s reinvigorated management team, including our new Head of PLU, George Georgakopoulos, is working relentlessly towards the implementation of our plan, delivering on commitments and operational targets, while accelerating the clean-up of our balance sheet. We have already started the process for two NPE disposal transactions, one for business and one for consumer loans, of a total NPE on balance sheet amount of c. €2bn. For the full year 2017, we are committed to the accomplishment of our NPE goals, and are targeting a positive bottom-line result.”

Christos Megalou, Chief Executive Officer





9M 2017 P&L Highlights: 16% Increase in Pre Provision Income yoy

Core income lines

Net interest and net fee and commission income, which constitute the core sources of income and represent 96% of total revenues, amounted to €558mn in Q3, an increase of 8% qoq (€518mn) and 5% versus the same quarter last year. For the 9M, net interest income and net fees reached €1,593mn, comprising 93% of total revenues. In Greece, net interest and fee and commission income amounted to €1,476mn in 9M, increased by 1% yoy.

NII & NIM

Net interest income amounted to €431mn in Q3, slightly lower vs. Q2 (€436mn), with the positive effect from the ongoing improvement of the funding cost being offset by the asset deleveraging. In Greece, the de-escalation of time deposit cost continued further: total time deposits cost stood at 78bps in Q3, down from 86bps in the last quarter of 2016, while the ongoing disengagement from ELA contributed positively. The Group's net interest margin (NIM) stabilized in Q3 at the level of 271bps, with our domestic operations recording a material improvement (274bps in Q3 from 271bps in Q2).

Net fee & commission income

Net fee and commission income increased by 54% qoq in Q3, at €127mn and at €289mn in 9M, up 24% on an annual basis. In Greece, net fee and commission income reached €267mn in 9M, posting an increase of 26% on an annual basis, driven by higher fees mainly from cards, while a €35mn bancassurance persistency fee is included in Q3. The Group's net fee and commission income as a percentage of total assets rose to 80bps in Q3 from 51bps in Q2, with Greek operations at 81bps from 50bps in Q2.

Operating expenses

Operating expenses stood at €288mn, 4% lower compared to Q3 last year, as a result of a decrease mainly of administrative expenses (-10%). On a quarterly basis, operating expenses were down 1%. Administrative expenses decrease relates predominantly to further branch closures, digitalization initiatives, lower advertising expenses and overall cost cutting efforts. For the 9M, both administrative expenses and staff costs were down yoy by -7% and -2%, respectively. The cost-to-income ratio for 9M.17 eased to 51% (49% in Q3) from 56% for the same period a year ago, while in Greece the ratio stood at 48% in 9M (47% in Q3) from 54% in 9M last year.

Pre provision income

Pre provision income (PPI) in Q3 rose to €294mn, up 22% vs. €242mn in Q3 last year, on the back of a 7% increase in total income and 4% decrease in operating expenses. In Greece, PPI reached €288mn vs. €230mn in Q3.16, posting an increase of 25%. In 9M, Group PPI recorded an increase of 16% to €844mn and Greek PPI was up 19% to €822mn (excluding one-off gain from VISA stake amounting to €77mn last year).

Loan impairment

Loan impairment charges amounted to €312mn in Q3 against €259mn in Q2, with NPE coverage to 46% (45% in Q2) and NPL coverage ratio rising to 70% (68% in Q2), while including tangible collateral, NPE coverage was at 95% and NPL coverage at 112%. Group cost of risk for Q3 stood at 273bps over net loans, while for the 9M period was 242bps.

Net result

Net result from continuing operations attributable to shareholders was marginally negative at €19mn in 9M, which is attributed to a loss of €19mn in Q3. Similarly, in Greece net results of negative €9mn were recorded in 9M, incorporating a loss of €11mn for Q3. Discontinued operations in 9M.17, mainly including the impact from the sale of Piraeus Bank Beograd, were loss making by €68mn.

Note: as of Q1.2017 the operations of two domestic subsidiaries, namely Olympic SA (AVIS Greece) and Imitheia SA (H.Dunant hospital) were recorded as discontinued. In addition, as of Q2.2017, the Bank's operations in Serbia (Piraeus Bank Beograd and the local leasing subsidiary) have been also classified as discontinued. ATE Insurance Romania is also classified as discontinued operation.





Balance Sheet Highlights: 8th Consecutive Quarterly Drop for NPE/NPL Stock

Customer deposits

Customer deposits reached €41.8bn at the end of Sep.17, higher by €0.9bn qoq (+2%), as a result of the domestic deposit restoration process gaining pace post the conclusion of the 2nd review of the Greek economic adjustment programme. From Jun.17 and onwards, the deposit reduction trend witnessed in early 2017 was reversed. At the end of Q3, deposits in Greece amounted to €39.1bn (+€900mn qoq), comprising almost 40% of the quarterly market inflow, while international deposits reached €2.7bn (flattish qoq). The positive trend continues also in Q4.

Wholesale funding

Eurosystem funding halved during the past 12 months dropping to €12.0bn at the end of Sep.17 from €23.8bn a year ago and from €20.9bn at the end of 2016. Eurosystem funding decreased by €8.9bn in the first nine months of 2017. In particular, ELA funding dropped to €7.8bn at the end of Sep.17 from €11.9bn at the end of 2016, while ECB to €4.2bn from €9.0bn, respectively. Eurosystem funding has dropped further in Q4 to €10bn in late November, with ELA below €6bn. Interbank repo balances stood at €2bn in Sep.17 vs. €6bn 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.16, EFSF/ESM bonds were down to €3.6bn at the end of Sep.17. At the end of Oct.17 Piraeus proceeded with a 5-year covered bond issue of €500mn. The issue was privately placed primarily with the European Investment Bank, the European Investment Fund and the European Bank for Reconstruction and Development. It is the first covered bond issuance by Piraeus that was placed with investors.

Gross loans

Gross loans amounted to €61.0bn at the end of Sep.17, while net loans amounted to €45.7bn, respectively. Gross loans in Greece stood at €57.9bn, while gross loans from international operations amounted to €3.1bn. The net loan-to-deposit ratio recorded a substantial improvement, landing at 109% from 122% a year ago.

CET-1 ratio

The Common Equity Tier 1 ratio was 17.0% at the end of Sep.2017, whereas the fully loaded CET-1 ratio stood at 16.6%. Both ratios are pro-forma for the disposals of Piraeus Bank Beograd, AVIS Greece and H.Dunant, while are slightly higher on a quarterly basis (by 10bps approximately) for the 2nd consecutive quarter, due to a reduction in risk weighted assets. At the end of Sep.2017, total equity amounted to €9.7bn, while regulatory CET-1 capital was at €8.8bn.

NPE / NPL & coverage

Non-performing exposures (NPE) ratio at the end of Sep.17 was at 55%, with coverage by cumulative provisions at 46%. The Q3 NPE formation pre write-offs was the best to-date for the Bank and stood at -€0.3bn. Piraeus met the SSM NPE target for the 5th quarter in a row. The NPL ratio dropped to 36.2% in Sep.17 (36.1% in Greece) vs. 37.1% in Jun.17 for the Group and 37.0% for Greece. The NPE/NPL stock decreased for the 8th consecutive quarter. The total reduction in the last 12 months was €2.5bn for NPEs and €3.3bn for NPLs, bringing NPEs down to €33.8bn and NPLs down to €22.1bn in Sep.17 respectively. Group non-performing loans formation pre write-offs, after the increase noted in Q1, returned in negative territory for both Q2 and Q3, following the trend of the four quarters of 2016, and stood at -€0.5bn. The Group NPL coverage ratio by cumulative provisions at the end of Sep.17 reached 70% from 68% a year ago.

Footprint & headcount

The branch network in Greece at the end of Sep.17 constituted 628 units (reduced by 43 yoy), while on a Group level the number of branches stood at 860 (-71 yoy). Thus, the Bank's Restructuring Plan target for 650 domestic branches by the end of 2017 has already been achieved. The Group's headcount for continuing operations at the end of Sep.17 was 16,978 employees, of which 13,892 in Greece.





Agenda 2020: Strategy Enablers Highlights & Progress Made

De-risk balance sheet

Separating Piraeus Bank Group into two operating pillars to maximise value arising from core business, whilst focusing on realising value in legacy holdings. Clear line of responsibility accelerating pace to meet restructuring plan commitments and clean-up of legacy issues, strengthening operating efficiency

- “Piraeus Legacy Unit” (PLU) reduced in RWAs size by €0.6bn qoq
- For Piraeus Bank Group, NPE down €0.7bn qoq and NPL down €0.9bn qoq. “Agenda 2020” targets set point to a level below €20bn for NPE and below €10bn for NPL in 2020
- Disposal of AVIS Greece
- Disposal of Serbian operations
- Two public open real estate e-auctions via Piraeus’ new website www.properties4sale.gr completed in 9M with 1 more auction scheduled in Q4. At least 6 expected in 2018

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, -32 branches vs. Dec.16 to come down to below 620 by year-end 2017 and further rationalize within 2018
- Additional optimization of FTEs in Greek operations, -215 employees vs. Dec.16 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 9M.17 eased to 51% down from 56% in 9M 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 86% by end-2018 well on track (76% in Sep.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 Core Bank” net profit of €311mn in 9M, achieving a return on assets of 1.1%. NIM at 309bps and fees at 87bps over assets
- New loan generation slightly higher for business loans. In alignment with our commitment to support domestic SMEs, Q3 new SME loan disbursement annualized run rate was more than 30% higher vs 2016. To this end, close to €1bn in new financing will become available for Greek SMEs in all sectors of the economy during 2018. 2018 overall is expected to be the 1st year of marginal credit expansion (adjusting for write-offs) since the beginning of the crisis
- Further reduction of our ELA balance, -€4bn in 9M.17 and -€6bn in 11M.17, among main drivers to further improve NIM to >310bps by 2020. 2nd lowest ELA reliance in the Greek market
- Customers increased to 5.1mn in Greece (+110k y-t-d), with cross selling ratio improving to 3.41x compared to end of 2016 (3.25x)

The Financial Statements for 9M.2017 of Piraeus Bank Group will be posted on the corporate website (www.piraeusbankgroup.com) on 28 November 2017. The financial information of 9M.2017, as well as the 9M.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)	30.09.17	30.06.17	30.09.16	Δ q-o-q	Δ y-o-y
Selected Balance Sheet Figures ¹					
Assets	68,174	73,918	82,639	-8%	-18%
Deposits	41,822	40,918	39,462	2%	6%
Gross Loans	61,035	62,048	65,011	-2%	-6%
Cumulative Provisions	15,372	15,685	17,025	-2%	-10%
Total Equity	9,724	9,748	9,964	0%	-2%
Selected P&L Results ²					
	Q3 2017	Q2 2017	Q3 2016	Δ q-o-q	Δ y-o-y
Net Interest Income	431	436	452	-1%	-5%
Net Fees & Commission Income ³	127	82	82	54%	55%
Core Banking Income	558	518	533	8%	5%
Net Trading & Inv. Securities Income	17	28	10	-40%	74%
Other Operating income ⁴ & Dividend Income	8	37	1	-78%	>100%
Net Income	583	584	544	0%	7%
Staff costs	(139)	(143)	(138)	-3%	1%
Administrative Expenses	(123)	(123)	(137)	0%	-10%
Depreciation & Other Expenses	(26)	(25)	(26)	4%	0%
Total Operating Costs	(288)	(292)	(301)	-1%	-4%
Pre Provision Income	294	292	242	1%	22%
Impairment Losses on Loans	(312)	(259)	(210)	20%	49%
Impairment Losses on Other Assets ⁴	(9)	(18)	(17)	-53%	-49%
Associates' Results	4	(19)	16	-	-77%
Pre Tax Result	(22)	(5)	32	-	-
Income Tax	2	10	(7)	-	-
Net Result Attrib. to SHs Cont. Operations	(19)	7	27	-	-
Non-Controlling Interest Cont. Operations	(1)	(1)	(2)	-	-
Net Result from Discontinued Operations	6	(74)	(7)	-	-

(1) Sep.17 and Jun.17 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).

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

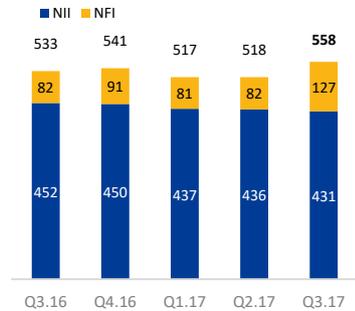
(3) Net fee and commission income for Q3.17 includes a bancassurance persistency fee of €35mn.

(4) An amount of €69mn was transferred from "Impairment losses on other assets" to "Other operating income" in the table in Q2.17.



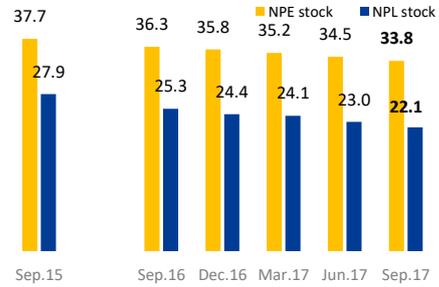


Core Banking Income (€mn)



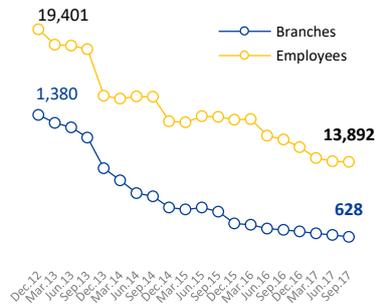
*recurring data

NPE - NPL Stock (€bn)

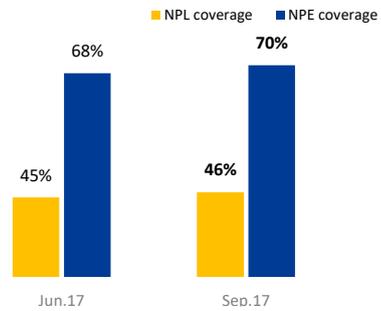


*Jun. & Sep.17 excluding Serbian operations

Employees & Branches in Greece (#)

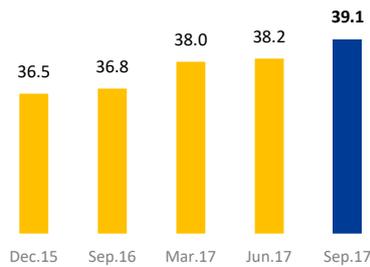


NPE - NPL Coverage Ratio (%)

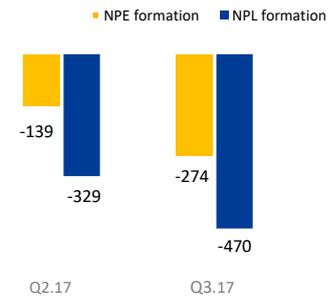


*Jun. & Sep. 17 excluding Serbian operations

Customer Deposits in Greece (€bn)

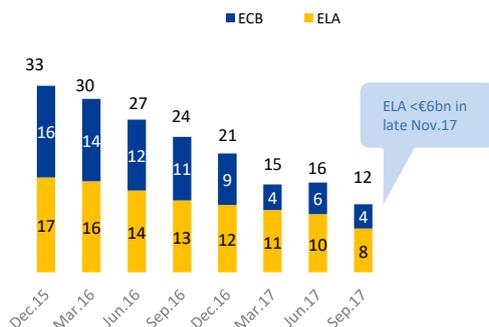


NPE - NPL Formation (€mn)

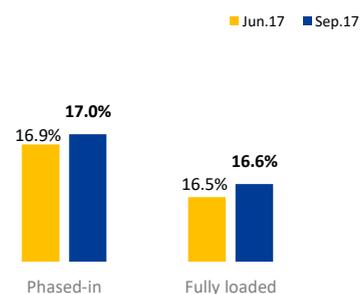


*Jun. & Sep.17 excluding Serbian operations

Eurosystem Funding (€bn)



CET-1 Ratio (%)



*Jun & Sep. 17 pro-forma for disposal of AVIS Greece, H.Dunant & Serbian ops





ALTERNATIVE PERFORMANCE MEASURES (APM) AT GROUP LEVEL

#	Performance Measure	Definition
1	NII	Net Interest Income
2	DTAs	Deferred Tax Assets
3	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
4	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
5	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
6	Net Loans to Deposits Ratio	Net loans over deposits due to customers
7	Core Banking Income or NII+NFI	Net interest income plus net fee and commission income
8	Net Income or Net Revenue	Total net income excluding the extraordinary financial gain of €77mn from the disposal of Visa Europe when reference is made to 2016. There has been no adjustments to Net Income for the current reporting period
9	Pre Provision Income (PPI)	Total net income excluding the extraordinary financial gain of €77mn from the sale of Visa Europe when reference is made to 2016 less total operating expenses before provisions. There has been no adjustments to Net Income for the current reporting period and hence the relevant amount corresponds to "Profit before provisions, impairments and income tax"
10	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 2016. For the current reporting period the ratio is total operating expenses before provisions over total net income
11	CET1 Capital Ratio on Pro-forma Basis	CET1 capital ratio taking into account RWA relief for the anticipated disposals of AVIS Greece, E. Dunant and Piraeus Bank Beograd and its local leasing subsidiary
12	Adjusted total assets	Total assets excluding assets of discontinued operations amounting to €863mn and EFSF/ESM bonds amounting to €3,576mn
13	Net Interest Margin (NIM)	Net interest income over adjusted total assets
14	Net Fee Income over Assets	Net fee and commission income over adjusted total assets
15	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.]
16	NPEs - Non Performing Exposures	On 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
17	NPL Ratio	Non-performing loans over Gross Loans before Impairments & Adjustments
18	NPE Ratio	Non-performing exposure over Gross loans before impairments & Adjustments





19	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
20	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
21	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
22	NPE Formation	Change of the stock of adjusted NPEs 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
23	Net fee income (NFI)	Net fee and commission income
24	Cost of Risk (CoR)	Allowances for impairment of loan losses over net loans
25	Return on Assets	Profit / (loss) for the period over adjusted total assets
26	Net results	Profit / (loss) for the period attributable to equity holders of the parent
27	Cumulative provisions	Allowance for impairment on loans and advances to customers gross of PPA adjustment
28	Operating expenses (OpEx)	Total operating expenses before provisions
29	Loan impairment charges	Impairment losses on loans and advances to customers
30	Pre Tax Results	Profit / (loss) before income tax
31	New Loan Generation	New loan disbursements that were realized after previous end period
32	Customers	Number of customers both individuals and legal entities with a banking relationship (account) with Piraeus Bank
33	Cross Selling Ratio	Total product groups over total number of customers
34	ELA/Total Assets	ELA / Total adjusted Assets

