



Piraeus Bank on track to achieve profitability and meet NPLs reduction targets in 2016

Management Statements

“Following yesterday’s decision by the Eurogroup, we believe that the developments to support the restoration of stability and growth in the banking sector will be stronger. The estimated gradual improvement of liquidity and the creation of the necessary conditions for the more effective management of loans in arrears will release funds for the financing of healthy and productive activities and will strengthen the balance sheets of the Greek banks.

Piraeus Bank, as the largest credit provider for Greek enterprises, will contribute to the national effort of restoring growth of the Greek economy.”

Michalis Sallas, BoD Chairman

“Piraeus Bank achieved to increase its profit before tax and provisions by 9% yoy to €263 mn in Q1 2016, as net revenues were resilient (+2% yoy), while operating expenses further eased by 3% respectively, while a further reduction is under way following the completion of the voluntary exit scheme.

The cost of risk is progressively dropping to a level below 180 basis points, in line with the trend in Greek economy fundamentals. Loans in arrears over 90 days dropped €0.5 bn, displaying a course which is aligned with the Bank’s target for a significant reduction of non-performing loans during 2016. It is significant to note that, for the first time since the beginning of the financial crisis in 2008, Piraeus Bank achieved a negative NPLs formation.


The Group’s total equity amounted to €10.0 bn at end March, 2016, with a CET-1 ratio at 17.6%.


The Group’s target to be profitable in 2016 remains on track and we believe fully achievable.”


Stavros Lekkakos, CEO




First Quarter 2016 Results


- 


Group profits before tax and provisions in Q1.2016 increased by 9% on an annual basis reaching €263 mn. Core banking revenues (net interest income plus net fee and commission income) amounted to 95% of net operating revenues rising by 2% on a qoq basis.
- 

Group net interest income reached €478 mn, 3% up against Q4.2015, positively affected by the reduction in the use of L.3723/2008 guarantees and ELA financing, as well as the further de-escalation of time deposit cost. It is noted that Piraeus Bank was the first among Greek banks to disengage from the use of L.3723 support, at the end of April 2016. The **net interest margin** improved to 2.81% from 2.69% in the previous quarter.
- 

Net fees & commission income came in at €74 mn in Q1.2016, negatively affected by conditions prevailing in the business environment (the GDP in Greece was 1.3% down yoy), in anticipation of the completion of the review of Greece's economic adjustment program.
- 

Net operating revenues were € 581 mn in Q1.2016, 2% higher yoy. **Operating expenses** reached €318 mn, 3% lower versus Q1.2015.
- 


The loans in arrears over 90 days ratio was 39.8% with their balance being significantly reduced for a second consecutive quarter (the total reduction since end September 2015 was €1.2 bn). Non-performing loans formation was in line with the Bank's projections at the end of 2015 being negative, reaching -€245 mn in Q1.2016, from +€80 mn in Q4.2015. NPLs Formation was negative both in Greece and abroad, as well as in all loan categories. In addition, the **coverage ratio** of loans in arrears over 90 days by cumulative provisions improved to 66% at the end of March 2016 from 65% at the end of December 2015.
- 


Loan impairment charges in Q1.2016 shrunk significantly, coming in at €289 mn against €1,384 mn in Q4.2015. The significant size of cumulative provisions (representing 26% of gross loans) enables the Bank to effectively tackle the loans in arrears balance, something which has already started producing concrete results through the Recovery Banking Unit.
- 


Net result from continuing operations attributable to shareholders amounted to a marginal loss of €37 mn in Q1.2016 (-€25 mn for parent Piraeus Bank).





Volumes as of 31 March 2016


- 


Group customer deposits, were €37.9 bn at the end of March 2016, down 3% versus December 2015, with €0.4 bn of the decrease coming from general government deposits, €0.3 bn from business deposits and €0.3 bn from household deposits. It should be noted that a small reversal of the downward trend was observed in April. Also, the downward trend in the **cost of time deposits** was continued, with the cost of new time deposits standing at 0.84% in March 2016, versus 0.95% in December 2015 and 1.75% in March 2015.
- 

Eurosystem funding reduced to €30.4 bn at the end of March 2016 from €32.7 bn in December 2015. In particular, ELA mechanism financing dropped to €16.1 bn in March 2016 from €16.7 bn in December 2015 and €22.2 bn in mid 2015.
- 

Gross loans before impairments and adjustments amounted to €66.3 bn in March 2016, while net of provisions they reached €48.9 bn.
- 

Net loans to deposits ratio decreased to 129% in March 2016 from 130% in December 2015 and 137% in June 2015.
- 

The Common Equity Tier1 ratio of the Group, reached 17.6% at the end of March 2016. Fully loaded CET 1 ratio came in at 16.7%, slightly improved compared to December 2015 (both ratios are adjusted for the prospective divestments).
- 

The Group's **branch network** in Greece was reduced by 8 branches during Q1.2016, reaching 701 units, while on a Group level it stood at 981 units at the end of March 2016. The Group has committed to reduce its network to 650 branches in Greece by the end of 2017 in its Restructuring Plan, a level which will be reached in the few following quarters.
- 

The **Group's headcount** for continuing operations at the end of March 2016 was 19,259 employees, of which 15,627 in Greece. International operations' headcount was 3,632. At the end of April 2016, the application period to the voluntary exit program that the Bank had introduced in March ended. Around 1.000 employees participated in the program, with an estimated annual expense reduction of approximately €45 mn.



Key Figures of Piraeus Bank Group

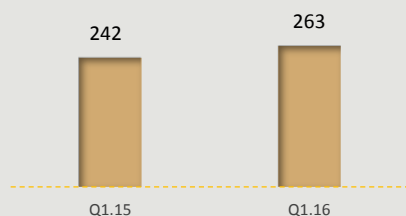
Consolidated Data (amounts in € mn)	31.03.16	31.12.15	31.03.15	ΔMar. 16 vs Dec.15	ΔMar.16 vs Mar.15
Selected Balance Sheet Figures					
Assets	85,682	87,528	88,516	-2%	-3%
Deposits	37,911	38,952	44,354	-3%	-15%
Gross Loans before Adjustments	66,291	68,071	69,794	-3%	-5%
Cumulative Provisions	17,378	17,480	15,456	-1%	12%
Total Equity	9,947	10,021	7,238	-1%	37%
Selected P&L Results					
	Q1.2016	Q4.2015	Q1.2015		
Net Interest Income	478	463	487	3%	-2%
Net Fees & Commission Income	74	79	78	-6%	-6%
Net Trading Income & Gain less Losses from Investment Securities	6	46	(9)	-87%	>-100%
Other Operating Income & Dividend Income	24	17	14	42%	72%
Net Revenues	581	605	569	-4%	2%
Personnel Expenses	(160)	(278)	(167)	-42%	-4%
Administrative Expenses	(131)	(186)	(134)	-30%	-2%
Depreciation Expenses	(28)	(29)	(27)	-6%	1%
Total Operating Costs	(318)	(493)	(328)	-35%	-3%
Pre Provision Income (PPI)	263	112	242	>100%	9%
Impairment Losses on Loans	(289)	(1,384)	(271)	-79%	7%
Impairment Losses on Other Receivables & Assets	(12)	(258)	(10)	-96%	17%
Share of Profit of Associates	0	1	(13)	-	-
Pre Tax Result	(39)	(1,530)	(52)	-	-
Income Tax	2	290	(12)	-	-
Net Result Attributable to Shareholders	(37)	(1,238)	(63)	-	-
Net Result from Discontinued Operations	(7)	(31)	(14)	-	-

Note: past data with the exception of assets and total equity exclude operations in Cyprus (discontinued) and in Egypt (sold) . .

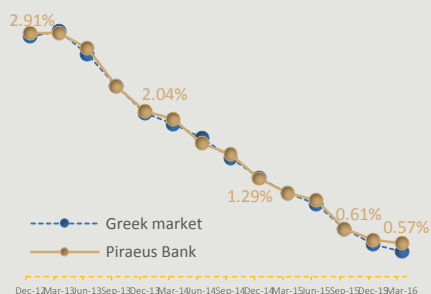


Evolution of Results

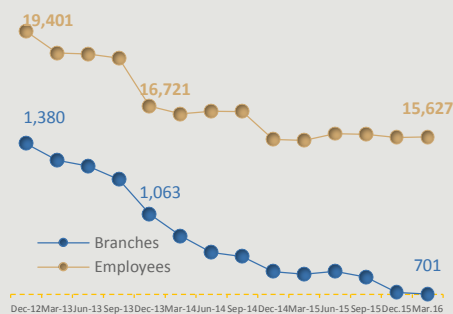
Pre-tax and provision profitability (€ mn)



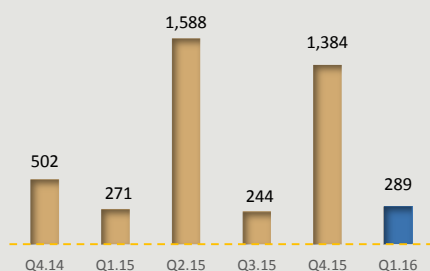
Monthly average deposit interest rate (%)



Employees and branches in Greece (#)



Impairment losses on loans (€ mn)



The Group's Q1.2016 **profit before tax and provisions** amounted to €263 mn, 9% higher than Q1.2015.

Net interest income (NII) stood at €478 mn, 3% higher on a quarterly basis, but 2% lower on an annual basis. The negative influence on NII from further deleveraging in Q1.2016 was offset by the continuing downward trend in the average deposit cost in Greece, which fell to 59 bps from 65 bps in Q4.2015 and 115 bps in Q1.2015. Interest income was also positively affected by the reduction in the use of L.3723/2008 guarantees, as well as the reduction in financing through the ELA mechanism.

The Group's Q1.2016 **net interest margin (NIM)** stood at 281 bps, versus 269 bps in the previous quarter (as a percentage of assets excluding EFSF/ESM bonds). NII of Greek operations was €440 mn. in Q1.2016, while that of international activities €38 mn.

Net fee and commission income (NFI) was €74 mn in Q1.2016, or 6% lower on a quarterly and annually basis, mainly due to the economic developments that had a negative impact on loan fees generation. NFI (as a percentage of assets excluding EFSF/ESM bonds) stood at 43 bps in Q1.2016. Net fees and commissions income in Greece amounted to €66 mn, while €7 mn for international operations.

The Group's **operating expenses** in Q1.2016 stood at €318 mn, posting a 3% reduction on a quarterly basis. The **cost to income ratio** in Q1.2016 reached 54%.

Within the implementation framework of Piraeus Bank's Restructuring Plan, a voluntary exit scheme was completed within Q1.2016. The total cost for the Bank, was equal to circa two year remuneration for the approximately 1,000 employees who participated in the program. The headcount reduction resulting from the program, will reduce personnel expenses by around €45mn per annum.

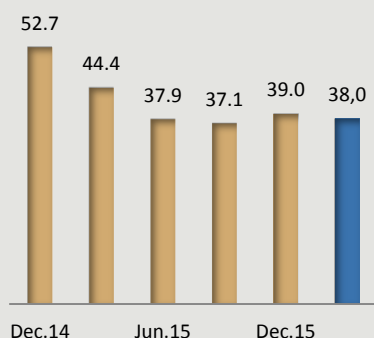
In Q1.2016, **impairment losses on loans** were €289 mn versus €1,384 mn in Q4.2015, while impairments for other receivables and assets stood at €12 mn. Loan impairment losses for Greece stood at €270 mn, while for international operations €19 mn.

Cumulative provisions represented 26.2% of gross loans at end March 2016 and as a result the coverage ratio on loans in arrears over 90 days increased to 66% from 65% in December 2015.

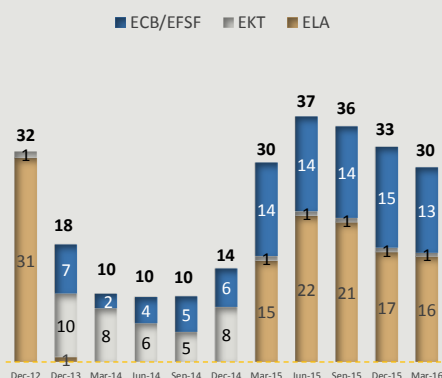
The **Group's net results from continuing operations** attributable to shareholders amounted to a loss of €37mn in Q1.2016.



Customer Deposits (in € bn)



Eurosystem funding (€ bn)



The Group’s **customer deposits** in March 2015 amounted to €37.9 bn, posting a qoq decrease of 3%, coming mainly from Greece, and attributable to the effect of the repayment of liabilities of the General Government and of businesses (total domestic deposits in Greece amounted to €35.1 bn).

International deposits were €2.8 bn in March 2016, unchanged compared to December 2015.

Gross loans before adjustments stood at €66.3 bn in March 2016, -3% compared to December 2016, due to the contraction in domestic economic activity (Q1.2016 GDP -1.3% on an annual basis and -0,4% on a quarterly basis), the repayment of a seasonal loan and write-offs. Total loans in Greece amounted to €62.3 bn, while loans from international operations stood at €4.0 bn. Net loans amounted to €48.9 bn, while Group net loan-to-deposit ratio marginally improved to 129% versus 130% at year-end 2015.

As of 31 March 2016, **Eurosystem funding** decreased to €30.4 bn versus €32.7 bn on 31 December 2015 (ECB: €14.4 bn and ELA €16.1 bn). This reduction reflects the increase of interbank financing and the loan portfolio deleveraging.

It is noted that on April 28, 2016, the last remaining guarantees of the Hellenic Republic under Pillar II issued under the framework of L. 3723/2008 and used by Piraeus Bank for liquidity purposes were redeemed. Upon redemption of Pillar II, Piraeus Bank no longer uses any support means of L. 3723/2008, and therefore it will no longer be subject to the restrictions of the support program.

Volume Analysis

31Mar.2016
in € mn

Composition
%

Gross loans

Loans to Businesses	43,032	65%
Loans to Individuals	23,258	35%

Total Gross Loans

66,291 100%

➤ Greece	62,268	94%
➤ International	4,022	6%

Deposits

Sight-Savings	23,453	62%
Term	14,458	38%

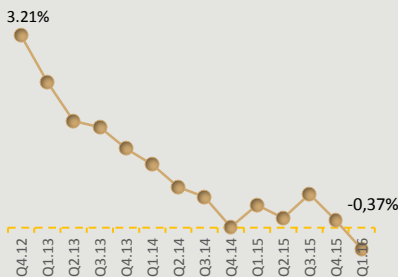
Total Deposits

37,911 100%

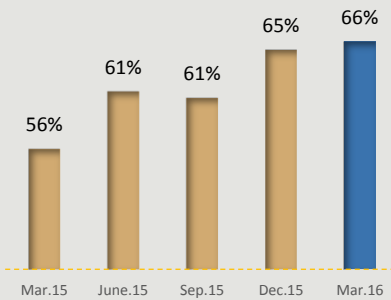
➤ Greece	35,076	93%
➤ International	2,835	7%



Group NPL formation (%)



Group Coverage ratio (%)



Asset quality

Group NPLs formation, which presented a modest uptick in 2015 due to the market uncertainty and the imposition of capital controls in Greece, decelerated significantly and was negative in Q1.2016, for the first time since the beginning of the financial crisis in 2008. More specifically, new loans in arrears as a percentage of total loans were at -0.37% (-€245 mn) in Q1.2016 from +0.12% (€80 mn) in Q4.2015. In Greece, new NPLs in Q1.2016 amounted to -€232 mn from €87 mn in Q4.2015.

The Group's **non-performing loans>90 dpd ratio** reached 39.8% at the end of March 2016.

The **NPLs> 90 dpd coverage ratio** further strengthened to 66.0%. If tangible collaterals and guarantees are included, the coverage ratio reaches 133%. The **loan loss allowance to total loans ratio** reached the particularly high level of 26% (30% for business loans, 11% for mortgage loans, 39% for consumer loans-cards) at the end of Q1.2016.

Capital adequacy

As at 31 March 2016, the Group's **total equity**, coming at €9.9 bn, is significantly stronger than March 2015, as it incorporates the €4.6 bn capital raise, which was concluded in December 2015. Accordingly, the Group's **leverage ratio** reached 11%. Respectively, the CET-1 regulatory capital amounted to €9.2 bn.

The **Group's Common Equity Tier-1 ratio** (pro-forma for the discontinued operations of Piraeus Bank Cyprus and ATE Insurance) reached 17.6% at the end of Q1.2016, while the **fully loaded Basel III Common Equity Tier-1 ratio** reached 16.7%.

Athens, 25 May 2016

The Q1.2016 Consolidated Financial Statements of Piraeus Bank will be posted on the corporate website (www.piraeusbankgroup.com) by the end of May 2016.