



*Consistent Achievement of Targets:  
Return to Profitability, Continuation of NPLs Reduction, Liquidity Improvement*

## Management Statements

“The implementation of the Economic Adjustment Program is a major step forward in ensuring the gradual improvement of conditions in the Greek economy. The stabilization of the domestic market and the consistent implementation of our Restructuring Plan have enabled Piraeus Bank to achieve its targets in the recent financial reporting quarters. The Bank continues to concentrate its efforts on the effective management and reduction of its non-performing loans, the improvement in its liquidity and the return to profitability. We have made significant progress in all these areas in the second quarter financial results.

Our key actions remain focused on the interests of our shareholders and of our customers, businesses and households, that have experienced many difficulties since the beginning of the financial crisis. Moreover, the Board of Directors is committed to Piraeus Bank contributing the maximum possible to the support of entrepreneurship and the restoration of depositors’ and investors’ confidence which will help drive economic recovery to the benefit of Greek society.”

**Charikleia Apalagaki, BoD Chairperson**

“During Q2.2016, Piraeus Bank Group posted a positive net result that amounted to €20 mn, while its recurring pre-provision income rose by 8% on a quarterly basis to €288 mn, on the back of the rise in net operating income by 5%. The stabilization of economic activity in Greece was also reflected in the gradual improvement of liquidity, with deposit inflows during the last 3 months, further easing of capital controls, as well as reinstatement of European Central Bank’s waiver for Greek Government bonds.

Our disciplined policy of active management of non-performing loans continues to make significant progress with a further reduction of 90 days past due loans by €445 mn on a quarterly basis. During the nine-month period from September 2015, when Piraeus Bank Group’s NPLs peaked, to the end of June 2016, total loans in arrears dropped by €1.6 bn. The Group’s CET-1 capital ratio remained stable at a satisfactory level of 17.5%, among the highest in the European banking sector. As a result of the Q2.2016 financial performance, the Bank remains on course to achieve its 2016 targets and is well-positioned to meet its medium term plans.”

**George Pouloupoulos, Acting CEO**





## Group Performance Highlights

- ✓ **Group profit before tax and provisions** in Q2.2016 increased 48% on an annual basis reaching €362 mn. Including one-off items adjustments, the increase was 10% on an annual basis reaching €288 mn. In Greece, the corresponding recurring profit reached €278 mn, 16% up on an annual basis. The Group's core banking revenues (net interest income plus net fee and commission income) corresponded to 93% of recurring net revenues in Q2.2016, increased by 4% on an annual basis.

On a semi-annual basis, the Group's recurring profit before tax and provisions amounted to €554 mn with 6% increase against H1.2015.
- ✓ **Group net interest income** reached €484 mn, up 4% against Q2.2015 and 1% up on a quarterly basis. In Greece, net interest income reached €449 mn, 9% up on an annual basis and 2% up on a quarterly basis, positively affected by the elimination of the use of L.3723/2008 guarantees and the further de-escalation of time deposit cost. Piraeus Bank fully disengaged from the use of L.3723 support, at the end of April 2016. In Greece, the de-escalation of time deposit cost continued, with the average interest rate at 51 bps in Q2.2016 from 59 bps in Q1.2016 and 65 bps in Q5.2015. The Group's **net interest margin (NIM)** improved to 2.89% from 2.81% in Q1.2016.

On a semi-annual basis, the Group's net interest income reached €962 mn with 1% increase against H1.2015.
- ✓ **Net fee and commission income** stood at €79 mn in Q2.2016, up 3% against Q2.2015. In Greece the increase was also 3% (€71 mn) on an annual basis. The Group's net fee and commission income as a percentage of assets stood at 47 bps in Q2.16 from 43 bps in the previous quarter.

On a semi-annual basis, the Group's net fee and commission income reached €153 mn with 2% marginal decline compared to H1.2015.
- ✓ **Net operating revenues** were €689 mn in Q2.2016, 19% higher yoy. On top of the previously mentioned operating income improvement, revenues were strengthened by €77 mn from an extraordinary financial gain as a result of the sale of the Bank's stake in Visa Europe to Visa Inc. Excluding this one-off benefit, net operating revenues increased by 6% on an annual basis.

On a semi-annual basis, the Group's recurring net operating revenues reached €1,183 mn, 3% up against H1.2015.
- ✓ **Group operating expenses** stood at €327 mn, 2% lower versus Q2.2015. The **cost to income ratio**, on a recurring basis, stood at 53% in H1.2016 an improvement from 55% in H1.2015, while in Greece the ratios were 51% from 53% respectively.

On a semi-annual basis, the Group's recurring operating expenses reached €629 mn almost stable versus H1.2015.
- ✓ **Loan impairment charges** in Q2.2016 continued their de-escalation, coming in at €265 mn against €289 mn in Q1.2016 and at €1,384 mn in Q4.2015.
- ✓ **Group profit before tax** for H1.2016 was a marginal gain of €1 mn, in alignment with the target for a profitable 2016.
- ✓ **Net result from continuing operations** attributable to shareholders amounted to €20 mn profit in Q2.2016 against a loss of €37 mn in Q1.2016.

On a semi-annual basis, the Group net result from continuing operations attributable to shareholders amounted to a marginal loss of €17 mn versus €1.1 bn loss in H1.2015.





## Group Volumes Highlights

- ✔ **Group customer deposits** were €38.4 bn at the end of June 2016, increased by €0.5 bn versus March 2016. This slight increase was noted during June, following the conclusion of the 1st Review of Greece's 3<sup>rd</sup> Economic Adjustment Program. Deposits in Greece recorded a €0.4 bn increase in Q2.2016 and amounted to €35.5 bn, whereas international deposits reached €2.9bn at the end of June 2016, increased by €0.1 bn compared to March 2016.

On an annual basis, deposits in Greece were marginally increased by 1%, however there are positive indications during Q3.2016, with an upward trend for deposits' inflows, following the further partial capital controls uplifting at the end of July 2016.
- ✔ **Eurosystem funding** was significantly reduced to €26.8 bn (ECB: €12.4 bn) at the end of June 2016 from €30.4 bn at the end of March 2016. In particular, ELA funding dropped to €14.4 bn in June 2016 from €16.1 bn in March 2016.

On an annual basis, Eurosystem funding at the end of June 2016 was significantly lower by €8 bn, while currently funding is further reduced by €1 bn. At the same time, interbank repos balances have expanded further in excess of €5 bn today from zero balance a year earlier.
- ✔ **Gross loans before impairments and adjustments** amounted to €66.2 bn in June 2016, while net loans amounted to €48.9 bn. Total gross loans in Greece stood at €62.3 bn, while loans from international operations reached €3.9 bn. **Net loans to deposits ratio** improved to 127% in June 2016, from 129% in March 2016 and 137% in June 2015.

On an annual basis, gross loans in Greece at the end of June 2016 dropped 3%, while their decrease rate was significantly slowed down.
- ✔ The **Common Equity Tier 1 ratio** of the Group, reached 17.5% at the end of June 2016. The fully loaded CET 1 ratio came in at 16.6% (both ratios are pro-forma for divestments of Cyprus and ATE Insurance operations).

Both ratios remained, effectively, unchanged on a quarterly basis.
- ✔ **The loans in arrears over 90 days ratio** was 39.2% with the NPL stock being significantly reduced for the third consecutive quarter. The total reduction since the end of September 2015 reached €1.6 bn. to €25.9 bn in June 2016 from €27.5 bn in September 2015. Group non-performing loans formation was negative for the second consecutive quarter, standing at -€189 mn in Q2.2016, with negative formation in Greece in all loan categories. In particular, for retail loans it was the 3<sup>rd</sup> consecutive quarter with negative formation of non-performing loans. In addition, the **coverage ratio** of loans in arrears over 90 days by cumulative provisions at the end of June 2016 improved further to 67% from 66% at the end of March 2016, whereas one year before at the end of June 2015 stood at 61%.
- ✔ The Group's **branch network** in Greece at the end of June 2016 was further reduced by 23 branches during Q2.2016 and stood at 678 units (673 today), while on a Group level it stood at 939, with a decrease of 42 branches on a quarterly basis.

The Bank's Restructuring Plan target is 650 branches in Greece by the end of 2017, though this level expected to be reached at a much earlier date.
- ✔ Following the completion of the voluntary exit scheme, the **Group's headcount** for continuing operations at the end of June 2016 was 18,525 employees (-734 on a quarterly basis), of which 14,958 (-670 on a quarterly basis) in Greece.

During Q2.2016 a voluntary exit scheme was implemented with the participation of c.1,000 employees. The abovementioned decrease will reduce personnel costs approximately by €10 mn quarterly (6% of Q2.2016 personnel costs), starting from the next quarters.





## Key Figures of Piraeus Bank Group

Consolidated (amounts in €mn)	30.06.16	31.03.16	Δ qoq	31.12.15	Δ ytd	
<b>Selected Balance Sheet Figures</b>						
Assets	84,316	85,682	-2%	87,528	-4%	
Deposits	38,406	37,911	1%	38,952	-1%	
Gross Loans before Adjustments	66,187	66,291	0%	68,071	-3%	
Cumulative Provisions	17,313	17,378	0%	17,480	-1%	
Total Equity	9,929	9,947	0%	10,021	-1%	
<b>Selected P&amp;L Results</b>						
	Q2.2016	Q1.2016	Δ qoq	H1.2016	H1.2015	Δ H1.16 / H1.15
Net Interest Income	484	478	1%	962	951	1%
Net Fees & Commission Income	79	74	8%	153	156	-2%
Net Trading Income & Gain less Losses from Investment Securities	111	6	>100%	117	9	>100%
Other Operating Income & Dividend Income	15	24	-37%	39	32	19%
<b>Net Revenues</b>	<b>689</b>	<b>581</b>	<b>19%</b>	<b>1,270</b>	<b>1,148</b>	<b>11%</b>
-excl. one-off items*	<b>607</b>	<b>576</b>	<b>5%</b>	<b>1,183</b>	<b>1,148</b>	<b>3%</b>
Personnel Expenses	(160)	(160)	0%	(320)	(332)	-4%
Administrative Expenses	(140)	(131)	7%	(271)	(274)	-1%
Depreciation & Other Expenses	(28)	(28)	1%	(55)	(55)	1%
<b>Total Operating Costs</b>	<b>(327)</b>	<b>(318)</b>	<b>3%</b>	<b>(646)</b>	<b>(661)</b>	<b>-2%</b>
-excl. one-off items*	<b>(319)</b>	<b>(310)</b>	<b>3%</b>	<b>(629)</b>	<b>(626)</b>	<b>0%</b>
<b>Pre Provision Income (PPI)</b>	<b>362</b>	<b>263</b>	<b>38%</b>	<b>625</b>	<b>487</b>	<b>28%</b>
-excl. one-off items*	<b>288</b>	<b>266</b>	<b>8%</b>	<b>554</b>	<b>522</b>	<b>6%</b>
Impairment Losses on Loans	(265)	(289)	-8%	(555)	(1,859)	-70%
Impairment Losses on & Assets	(33)	(12)	>100%	(45)	(73)	-38%
Share of Profit of Associates	(24)	0	-	(24)	(19)	-
<b>Pre Tax Result</b>	<b>40</b>	<b>(39)</b>	<b>-</b>	<b>1</b>	<b>(1,464)</b>	<b>-</b>
Income Tax	(20)	2	-	(18)	340	-
<b>Net Result Attributable to Shareholders</b>	<b>20</b>	<b>(37)</b>	<b>-</b>	<b>(17)</b>	<b>(1,123)</b>	<b>-</b>
<b>Net Result from Discontinued Operations</b>	<b>(16)</b>	<b>(7)</b>	<b>-</b>	<b>(23)</b>	<b>(1)</b>	<b>-</b>

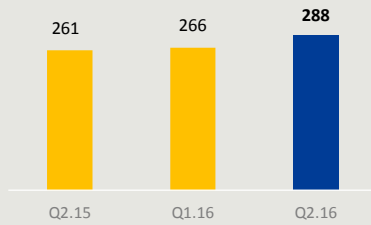
(\*) One-off items include (a) revenues (€7 mn in H1.15, €11 mn in H1.16) and costs (€17 mn in H1.15 and H1.16) of Imitheia SA, a company that came from a loan restructuring, (b) extraordinary operating costs of the Group of €18 mn in H1.15, (c) extraordinary financial loss of €7 mn in H1.15 because of divestment, and (d) extraordinary financial gain of €77 mn in H1.16 from the sale of Visa Europe

The Consolidated Financial Statements for H1.2016 of Piraeus Bank Group will be posted on the corporate website ([www.piraeusbankgroup.com](http://www.piraeusbankgroup.com)) today August 30, 2016



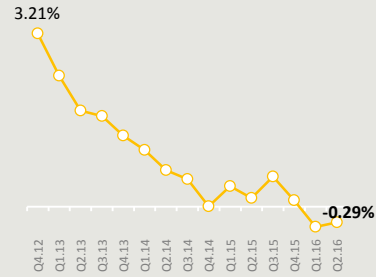


Group Profit before Tax & Provisions (€ mn)

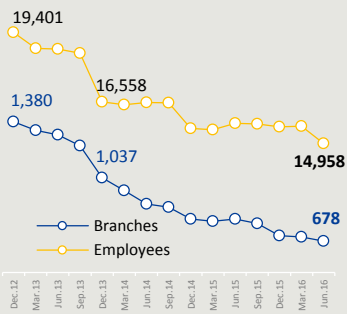


\* excl. one-off items

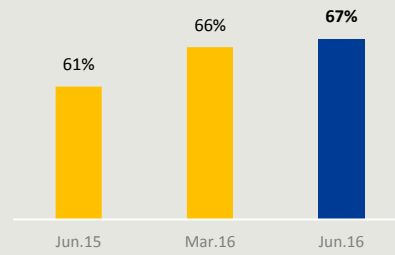
Group NPL Formation over Loans (%)



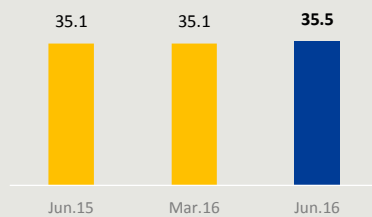
Employees & Branches in Greece (#)



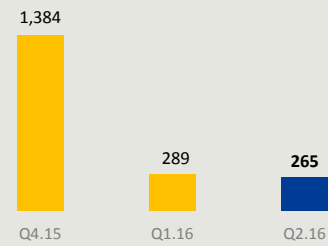
NPLs Coverage Ratio (%)



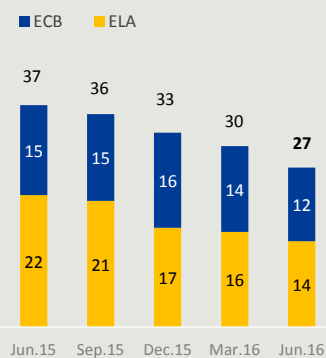
Customer Deposits in Greece (€ bn)



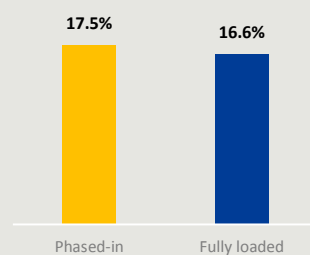
Impairment Losses on Loans (€ mn)



Eurosystem Funding (€ bn)







CET-1 Ratio (%)





### Main Events post 30 June 2016

-  On 8 July 2016, Piraeus Bank announced that it has entered into an agreement with Holding M. Sehnaoui SAL (HMS), for the sale of 26% of the share capital in its subsidiary in Cyprus, Piraeus Bank Cyprus Ltd ("PBC") for a consideration of €3.2 mn which – together with a combination of a concurrent primary capital raise by PBC of €40 mn to be fully subscribed by HMS and a group of investors to be procured by HMS. Following the completion of the abovementioned transactions Piraeus Bank's stake in PBC will drop to 17.6% of the total share capital. The transaction is subject to customary conditions including regulatory and other approvals by the respective authorities in the European Commission, Cyprus and Greece, as well as the Hellenic Financial Stability Fund. Piraeus Bank Group's CET-1 capital ratio improves by approximately 15 basis points, mainly due to a risk weighted assets relief of approximately €0.6bn, from the non-consolidation of PBC.
  
-  On 20 July 2016, the former Non-Executive Chairman of Piraeus Bank, Mr. Michalis Sallas announced his decision not to participate in the new Board of Directors of Piraeus Bank. Mr. Sallas was awarded the title of Chairman Emeritus of Piraeus Group, after unanimous resolution of the Board of Directors. Following the resignation of Mr. Michalis Sallas, the Board of Directors has elected Professor Charikleia Apalagaki as Interim Chairperson, until the election of the new Chairman.
  
-  On 21 July 2016, Mr. Konstantinos Paschalis assumed duties as Piraeus Bank Group Chief Financial Officer.
  
-  On 1 August 2016, the transfer of 100% of the share capital of ATE Insurance to Ergo International AG - a subsidiary of Munich Re - was completed, following the fulfilment of all the conditions under the relevant agreement, as well as the receipt of all necessary approvals from the competent bodies, including the Hellenic Financial Stability Fund. ERGO International AG paid a consideration of €90.1mn in cash for the total stake of Piraeus Bank in ATE Insurance's share capital. The consideration may be subject to adjustment, after the completion of the sale, on the basis of customary purchase price adjustment criteria, under the terms of the relevant share sale and purchase agreement. The transaction improves the CET-1 ratio of Piraeus Bank Group by approximately 5 basis points, mainly due to risk weighted assets relief of €0.2bn.

**Piraeus Bank**  
**Investor Relations**  
**Tel : (+30 ) 210 3335062, 3288332, 3335026**  
[investor\\_relations@piraeusbank.gr](mailto:investor_relations@piraeusbank.gr)

